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Challenges in managing of small sector business and its influence on local business (on the example of małe dobrevineyard, close to Kazimierz Dolny, Poland)

Проблемы управления малого сектора бизнеса и его влияние на местное бизнес (на примере малых добрений, закрывающихся к кимимерусу нижней Казимеж Дольны, Польше)

Summary

Author presents and describes all the important factors which contributed to set up a new venture in a rural area (agritourism). Beside the main factor which was to make money and to do business in the area, variety of positive aspects for the region have been named, like easy access to technologies and innovations for local farmers, stimulation of local business or increase in popularity of the whole region. Creation of the new agriculture style, creation of new jobs as well as reconstruction of historical heritage have been also shown on this example.

Keywords: agritourism, budgeting, entrepreneurship, financing, marketing, total quality management.

Резюме

Автор представляет и описывает все важные факторы, которые способствовали созданию нового предприятия в сельской местности (агротуризм). Помимо основного фактора, который должен был делать деньги и вести бизнес в этом районе, были названы различные позитивные аспекты для региона, такие как легкий доступ к технологиям и инновациям для местных фермеров, стимулирование местного бизнеса или увеличение популярности всего область. На этом примере также показано создание нового стиля сельского хозяйства, создание новых рабочих мест, а также реконструкция исторического наследия.

Ключевые слова: агротуризм, бюджетирование, предпринимательство, финансирование, маркетинг, общее управление качеством.

Introduction

Doing business in rural area is hard and complex thing. Doing business in rural area which is relatively close to town – can be easier. Doing business like producing and offering products and services for tourists, financing, budgeting and forecasting the whole project, cooperate with the local authorities – is complicated, complex, but possible thing. A good example of entrepreneurship program is MAŁE DOBRE -Vineyard close to KAZIMIERZ DOLNY about 170 km south of Warsaw.

1. Characteristics of the project

Initially, the beautiful piece of land has been offered by the local government to build a luxury apartments as well as resting area for the local residents and tourists. As talks and negotiations among the owners, investors and representatives of local government have broken up, the idea of starting quite a new venture emerged.

There were several important factors which have been considered and which have heavily helped to take such decision. First of all – Kazimierz Dolny town. Beautiful historical settlement of old tradition, already in the past one of the most important urban centers of the province.

The town itself is a significant tourist attraction, having its greatest prosperity in the 16th and the first half of the 17th century, due to the trade in grain, being conducted along the Vistula river. Important factor was, that since the 19th century it has become a popular short holiday destination, attracting summer residents, tourists as well as artists.

The town is one of Poland's official national Historic Monuments and tracked by the National Heritage Board of Poland. The local tourism development strategy focuses on the villages and towns around Kazimierz Dolny, which also undergo the process of permanent development, offering great places for visiting, spending nights in modern and comfortable hotels and taverns, biking and horse riding. They also feature scenic rural landscapes and offer well-developed agritourism accommodation facilities, as the areas surrounding the town are very attractive and worth seeing.

The chain of all-year long transportation system (small buses, private coaches, vans, melex vehicles) between many local places surrounding Kazimierz Dolny is well developed, making it possible to reach practically each of the required destination within short time.

Many people coming to Kazimierz Dolny usually restrict their tourist activity to visiting the market square and the neighboring monuments, such as St. John

the Baptist and St. Bartholomew the Apostle Parish Church, the castle complex, the synagogue and a few other sites.

Thus – the idea of offering something more for the visitors has emerged, despite the fact that its neighboring villages offer comfortable and affordable accommodation facilities, and their number is constantly growing. Available accommodation facilities include: hotels, boarding houses, leisure centers, hostels, RV parks and campsites, guesthouses and rural lodgings (i.e. cottages and agritourism farms) and others. You can select from the rich local accommodation offer all year round in Kazimierz Dolny. You can choose between hotels, several spa resorts, many boarding houses, a dozen of finest restaurants, cafes, chocolate lounges, pizzerias, wine bars and pubs.

2. Important aspects for the project

Location of Kazimierz Dolny as touristic attraction, its historical value, the idea of reconstruction of historical heritage as well as all the features mentioned above, were important factors to set up a new venture in this area – the vineyard in Małe Dobre¹.

Another reason was, that the city is located close to Warsaw, with its relatively well off and ready to travel inhabitants.

To get there from the city center it usually takes less than two hours, so even those who want to spend just one day in Kazimierz Dolny, can easily manage to get there, have some fun and come back on the same day. But of course most visitors are coming for a weekend or for a few days.

But just to produce wine – it was not the only and primary idea of the owners. There should follow other activities and attractions which would add some more power to the project, enrich the offer and bring additional value and profit for the investors.

From the Marketing and Operations Management point of view, the following aspects of the whole venture have been considered by the entrepreneurs as follows:

(a) Location

Situated in very attractive place and close to Warsaw, easy road transport, low cost of land, local taxes and rates, appropriate, experienced labor skills available.

(b) Capacity

Relatively small project at the beginning, with growing potential after having gained its name, reputation and higher production (occasional over demand should be balanced against overcapacity), as lost market share tend to be irreversible.

¹ More detailed descriptions in: <http://www.kazimierz-dolny.pl/>; A. Marszewski, *Moja przygoda z winnicą czyli zintegrowane zarządzanie środowiskowe w praktyce*, „Wiadomości Uczelniane”, czasopismo Wyższej Szkoły Ekologii i Zarządzania, Nr 1 (17), Luty 2010, Warszawa.

Each producer has to make difficult decisions about the size of the production capacity. Having a large capacity enables the vine producers to meet unexpected increases in demand. It is obvious that producing large quantities of wine allows to take advantage of lowering the average fixed cost per each bottle produced, but in this case the time factor, quality and reputation was most important.

(c) Inventory

Very small at the beginning, as the whole production had to be offered immediately to customers in order to enter the market and to gain customers reputation.

(d) Layout:

Due to the specific type of production- (wine), the whole layout of production facilities has been arranged according to the needs and typical standards for wine production.

The main following stages can be distinguished: delivery of fresh grapes, selecting, pressing, processing, filling up, labeling, inventory of ready bottles.

Additional space has been arranged for wine testing for visiting groups, restaurant and few rooms for tourists who decide to stay more than one day.

(e) Quality

Quality of the product is being controlled permanently during the growth and maturity stage and during production processes – on the field and in the building. Most of the chemical processes must be controlled during the process of fermentation while adding necessary supplements and during the mixing processes. No mistakes can be made.

The concept of Total Quality Management (TQM) has found here special meaning, according to which management should ensure that quality extends throughout the organization in everything it does, or at least in all features of products and services that are important to the customer.

To produce wine, the company should aim for the highest quality level possible, as lack of quality can be more expensive than achieving high quality.

The issue of benchmarking plays a significant role in wine production process and should be always considered and implemented when necessary and possible.

3. Targets for the product

All the issues mentioned above play very important role, as the targets of production manager usually concentrate on the questions such as:

What type of product to produce (white, red or rose wine)?

How to concentrate on quality and taste of the product?

How to produce the maximum possible volume of output?

How to utilize fully the production site or the work force?

How to reduce the lead time?

How to generate the maximum return on assets?

How to ensure flexibility?

Some of these objectives are really incompatible, and most of producers have to choose between price, quality and flexibility.

There has always been an elementary trade-off between low cost and quality and another – between low cost and the flexibility to customize products or to deliver them in a very short lead time (especially fresh grapes from the field right to the processing room).

Apart from the issues involving production and operations management, there have been another questions which emerged – namely how to deal with typical managerial tasks.

The natural process in vineyard management is, that the whole vineyard is permanently growing, due to the bigger and bigger area used for plantation.

It requires also increasing the volume of a new, bigger plant, expanding its activities, employing more people, buying new machines, automatization, using new distribution channels and so on.

Thus, one of the most important questions for the plant manager is the issue of innovation.

The whole business environment, regardless of its type – is continually changing. All products, services, markets, distribution channels, technologies, fashions, trends and processes are aging. There is a constant evolution in the needs of customers, technological skills of competing companies and new producers entering the market. To be innovative – means to respond promptly to the needs of customers, to deliver them the most required product and to be faster than competitors. In this particular case duty of plant manager is not an easy task.

To produce relatively good wine it takes 2–3 years. There is a need to be able to predict the new trends, to analyze the market situation, to follow the changes. And then – to implement all those innovations hoping that the observations and decisions were correct².

It is not possible to speed up the production process, since each decision must be well balanced, correct and based on exact analysis. The issue of innovation is one of the most crucial decisions while managing the vineyard.

Another important task is the question of growth and development of the vineyard.

Some possible forms of growing in this particular case are:

- A – Extensive growth
- B – Intensive growth
- C – Market development
- D – Horizontal Integration

² Beazley M., *The art and science of wine*, Octopus Publishing Group Ltd, London 2006.

E – Vertical Integration

F – Product development

G – Market penetration

Especially two types of forms listed above are significant for this kind of business:

- Horizontal Integration – mergers or takeovers among firms producing the same type of goods (wine) or services (accommodation, entertainment, trainings), or
- Vertical Integration – merger with or acquisition of either a company's suppliers (backward integration – wine producers and growers) or its marketing outlets (forward integration – own shops, outlets, sales on trades, fairs or sales during own presentations).

Recently we observe intensive growth in number of new vineyards, especially in Kazimierz Dolny area, but they do not compete each other, but rather help each other. The owners and managers meet regularly to discuss all important issues for further cooperation, exchange experience, talk about opportunities, threats, strengths and weaknesses of the branch (SWOT). The market is still too young and too weak to develop the real competition, and all of them need additional help, information and examples to be more successful and to avoid mistakes.

Managers become friends and spend much time together, tasting wines, discussing problems and prizing good quality, which in general contributes positively to development of the still new branch. And this is very positive aspect of this hard, but pleasant business.

Another important challenge for the owners was the question of marketing. And again – there were some important questions to be solved by the partners, who wanted to produce wine, to sell it, to run a small, local hotel, to entertain tourists – in other words – to compete on several levels of business successfully.

As usually – first thing to do was to analyze marketing environment, which means to analyze the economic situation of potential customers, cultural, demographic (young families with children) and technological changes (easy access to internet booking and information).

This was necessary to be able to plan marketing activities and market opportunities and also to measure current and future demand for wine (number of rooms, production volume, number of visitors per annum and so on).

It is true that overall marketing environment can change, but in such a case company's marketing programs can change too.

Next step was to forecast the market. It was not very hard task, as there have always been many tourists around looking for new places to visit, which could offer something unusual and attractive, and the vineyard was attractive enough.

There are various methods of forecasting, but generally they all depend on one of three factors:³

A – what people say

B – what people do (which is not always the same), and

C – what they have done in the past

Many people were enthusiastic about the new idea and the important task was to estimate the total market potential, which is to forecast the number of tourists (buyers) and the average quantity and types of wine (red, white, rose), that they will purchase in the future.

Good businessmen who are marketers, should not only identify consumer needs – they should influence them by developing new products, services and attractions. Good example of such an idea was organizing special tours for visitors so they could know the vineyard, to tell them about its beginnings and plans for future, to give them opportunity to taste wine, to explain and to show them the production process, to organize for them special evenings with local food and music, to offer them bicycles to know the local area and to visit another, situated not far away vineyard.

Marketers should design marketing strategies and plan marketing programs, and then organize, implement and control the marketing effort. As soon as the basic concept has been established, we should think about the marketing mix – the set of various elements of the whole marketing program and the number of effort which is needed to influence the target market. Generally, the best known classification of these elements is the 4 P's – Product, Price, Place and Promotion.

The next stage is to create long-term demand, for example by modifying particular features of the product (shape or size of bottle, new color, new label – in the case of the Małe Dobre vineyard the label has been designed by famous Polish artist), to satisfy changes in consumer needs or market conditions.

The final part of the activities which had to be considered regarding marketing strategy and management of this project – is promotion and promotional tools.

As it was already mentioned, marketing involves identifying consumer needs and developing these goods and services to satisfy them. This involves developing the right product, using the right pricing and making it available to target customers. And next – it is necessary to inform the potential customers about the existence of the company (vineyard) and its product (vine, accommodation, attractions).

For the consumer goods (vine, accommodation, meals), the most important tool is generally advertising. Each company tries to build up the company's name or image and wants to inform potential customers about product's existence, its

³ Robbins S., *Fundamentals of Management : Essential Concepts and Applications*, Prentice Hall, INC 2002

features and its advantages and persuades them to buy them. Very useful system has been introduced for this process, called AIDA, which represents Attention, Interest, Desire and Action. However in variety of marketing books we can distinguish four basic promotional tools:

- Advertising
- Sales Promotion
- Public Relation, and
- Personal Selling

Summing up – starting this business, several key questions had to be considered which can be summarized as follows:

- What is our business ?
- Who are our customers ?
- What do our customers want ?
- How much will our customers buy and at what price ?
- Do we want to be a product leader?
- What advantages do we have in serving customer needs?
- How should we respond to existing and potential competition?
- What profits can we expect?
- What basic form should our strategy take?

Having positively answered them, the team of experienced investors decided to start the project WINNICA MAŁE DOBRE close to Kazimierz Dolny, which is still developing and growing, contributing positively to the local offer for tourists and short time visitors to this beautiful region.

Conclusions

Having in mind this project, following positive aspects for different groups can be distinguished:

I – Investors, who can be easily called entrepreneurs, who gained interesting project which makes it possible to realize their dreams and passion, using their experience, knowledge and strong will, with the hope to make money.

II – Local farmers, who got access to new technologies, modern forms of management, innovation, have chance to get challenging job and opportunity to develop own form of modern, profitable business.

III – Tourists, who obtained a new, attractive offer to spend their free time on the vineyard, with the possibility to experience something new, to learn about the wine production, to taste wine, to stay overnight, to get in touch with local folklore style of life and culture (enotourism and agritourism).

IV – Local authorities, who got more income from taxes, the whole local offer became more attractive for tourists, which resulted in bigger popularity of the region.

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