

QUALITY INVESTMENT, A MAJOR FACTOR IN CONQUERING NEW MARKETS

Anca MADAR¹

Abstract: *The competition that characterizes the market economy, forces companies to use appropriate methods and techniques to maintain their position in the market, or to penetrate new ones. For this, an important investment is in the quality of the company's products, processes and staff. Applying the principles of total quality management and implementing appropriate quality strategies help companies achieve better results in their work. In this paper, the author aimed to exemplify how the implementation of a quality strategy correctly chosen and put into practice led to a considerable improvement in the results of the company studied. To accomplish the work, the author analysed the literature and documents of the company.*

Key words: *quality, customer satisfaction, quality strategy, quality management*

1. Introduction

Survival in competitive conditions comes down to practically one thing: competitiveness. Market competitiveness is based on three main pillars: the quality of goods and services, price and delivery time (Mitran, 2008).

Since the 1980s, in Western enterprises, especially in American enterprises, there has been a motivation to pay special attention to two aspects that have been neglected until then:

- the importance of quality and customer satisfaction from this point of view, for the success of the enterprise;
- the need to consider quality not only as a single objective, but also as a management objective.

Thus, commercial and industrial circles in all countries of the world have begun to promote ideas and systems that allow companies to improve the quality of their products and services, while having concerns to reduce costs.

Producers in economies in transition, as is the case in our country, who use domestic raw materials, can offer products and services on the market at lower prices, but cannot conclude long-term contracts if their quality is below the level acceptable on its own market. Most buyers demand from their suppliers not only a quality that meets their

¹ *Transilvania* University of Braşov, ancamadar@unitbv.ro, ORCID ID: 0000-0001-6892-8989

needs, but also the assurance that this quality is maintained in the long run. To provide this guarantee, suppliers are required to demonstrate that they work in internationally recognized quality management and assurance systems.

In this paper, the author analysed how the application of a quality strategy, respectively that of quality diversification, contributed to increasing the performance of the company studied. For this analysis, the financial figures of the company from 2015-2020 were studied, as well as the specialized bibliography.

2. Literature Review

Total quality management (TQM) is the most comprehensive philosophy in the field of quality (García-Bernal, Ramírez-Alesón, 2015). Nowadays, in an attempt to survive in the market, the application of TQM principles has become an indispensable thing in all firms and companies in the world (Eniola et al., 2019). We find the same idea in Sahoo, S., Yadav, S. (2018).

The advantages of implementing and certifying the quality management system are obvious for customers, but also for the organization that provides them (Othman et al, 2020; www.srac.ro):

- meeting the requirements of customers, business partners and legal requirements;
- increasing credibility and confidence in the quality of products / services;
- increasing customer satisfaction;
- a better understanding of the organization's processes, which involves a firm commitment of management, a clear definition of responsibilities and authorities;
- improving internal and external communication
- more efficient use of resources and reduction of non-compliance costs;
- creating a framework for continuous improvement;
- facilitating participation in tenders;
- making staff aware of their involvement in achieving the organization's objectives.

Quality management means real evaluation of potential and improving performance, not creating a good impression in the context of the external environment of the organization. In the opinion of Dinu (2017), service quality management is a set of coordinated and monitored activities to guide and control an institution / company from the perspective of quality strategy.

The design and implementation of an organization's quality management system is influenced by different needs, specific objectives, the products it provides, the processes used and the size and structure of the organization. As specified by Androniceanu (2017), managers of successful companies are constantly concerned with developing global strategies based on total quality management.

As Todoruţ (2012) mentioned, the quality management system of an organization must take into account:

1. setting the objectives and strategies needed to meet the needs of stakeholders;
2. monitoring the external environment and the capabilities of the organization;
3. providing the necessary feedback for continuous improvement, innovation and identifying the necessary organizational changes.

Surrounded by strong competition, managers are increasingly obliged to put the needs and requirements of customers and consumers first. This success will only be achieved when potential customers know, buy and trust their products and services (Neacșu, 2020).

Quality strategies aim to meet the social need and requirements of beneficiaries, establish the level of quality characteristics according to the conditions imposed by the requirements of competitiveness, integration in the vision and mission of the company, change the mentality of staff from distrust to confidence in achieving and improving quality.

Among the factors that determine the establishment of the quality strategy we mention: market demand, fundamental objectives of the company, staff skills, complexity of quality characteristics of products and services, influences and relationships with the economic environment and strengths and weaknesses of the organization.

3. Company Presentation

SC Morărit Panificație dates back to 1922, being a company of local interest. In 1997, the company was privatized, becoming SC MORĂRIT PANIFICAȚIE ROMAN SA (<https://www.panificatieroman.ro>).

Soon after the privatization, the mill and the silos were completely rebuilt, and the production spaces were redesigned to meet the requirements of quality and hygiene standards.

The main object of activity of the company is the manufacture of milling products (CAEN code 1061) and bakery products (CAEN code 1071). The activity focused on the production and marketing of bakery products, pastries, confectionery and pretzels, services.

At the level of Neamț county, SC Morărit si Panificație Roman SA, according to the turnover, holds 80.4% of the market share according to the CAEN code 1061 - Manufacture of milling products, and, at country level, a market share of 0.4% (www.risco.ro).

In order to highlight the evolution of the activity of SC Morărit si Panificație Roman SA, Table 1 presents the main economic indicators from 2015-2019.

Evolution of the main economic indicators in the period 2015-2019

Table 1

Years	2015	2016	2017	2018	2019
Financial indicators					
Turnover (lei)	8.848.739	9.880.797	11.043.683	11.154.883	10.655.576
Total income (lei)	12.569.034	13.523.421	15.572.913	15.857.158	15.715.662
Total income (lei)	12.483.795	13.362.565	15.273.460	15.517.471	15.383.532
Average number of employees	130	138	126	130	105

Source: <https://www.bvb.ro>

The production is distributed through its own network of stores, as well as through about 200 corporate clients. Through their own stores, the company's customers

(individuals) can supply themselves with fresh and varied products that the issuer's agents deliver daily. The company has a fleet that distributes products daily to local customers and customers in other cities in the country: Bacău, Buzău, Bucharest, Iaşi, Suceava, Botoşani, Galaţi, as well as stores in the Kaufland supermarket chain.

The main clients of the company are (<https://m.bvb.ro>): Kaufland Romania, BILL Solutions S.R.L., Iaşi, Bulai Elemar S.R.L. Roman, Camelion Com S.R.L. Roman, Ciortan Magdalena II S.R.L., Family Distribuţie S.R.L. Bucharest, Frao Grup Distribuţie S.R.L., Bucharest, Linex S.R.L., Roman, Onca Sim S.R.L., Roman and Similar S.R.L., Roman.

The basic raw material, wheat, is provided from domestic production, from private producers and agricultural companies, among which the most important are (www.bvb.ro): SC Almos SRL Neamţ, Trimonex Trifeşti SRL - for wheat and SCTCE Trei Brazi and others individuals. Danubian Roman SRL is the main supplier for sugar, and Pakmayan Paşcani for yeast.

The main competitors of the company are (<https://m.bvb.ro>): Pambac Bacău S.A., Panevada S.R.L., Sabus S.R.L., Liricris S.R.L., Miralucia S.R.L., Dorivi S.R.L. and Morarita Transporter S.R.L.

4. Implementing the Quality Strategy

In order to meet the needs and requirements of customers, to ensure a high degree of food safety and to increase customer satisfaction, SC Morărit și Panificație Roman S.A. has designed, implemented, certified and maintained an Integrated Management System: Quality, Environment, Food Safety, Health & Safety at Work and Social Responsibility. This integrated system meets the requirements of ISO 9001, ISO 14001, ISO 22000, ISO 45001.

The quality policy of the company consists in the diversification of the products through quality, the development and the increase of the turnover, by:

- Modernization of production sections;
- Diversification of the product range, orientation towards new products;
- Entering new markets, in the first stage in Bacău and Piatra Neamţ;
- Preservation of current markets;
- Customer orientation.

In this sense, since 2004 major investments have been made from the company's own funds, but also from loans, both in the wheat mill and in the bread factories. Between 2005-2007, the production sections were modernized in accordance with European standards. Simultaneously with the modernization, the HACCP food safety system was implemented at the two bread and bakery factories. This implementation consisted in:

- Modernization and rearrangement of technological manufacturing flows;
- Purchase of new, high-performance equipment and installations;
- Restoration of building infrastructure and utilities (water, sewerage, electrical installations, heating and district heating).

The quality objectives proposed by the company Morărit și Panificație Roman S.A. are:

- Acquisition of new high-performance equipment by contracting a bank loan for development and for reducing production time and increasing the production capacity;

- Reducing the repair costs of production equipment by replacing the physically and morally used ones;
- Establishment of a confectionery section, to diversify the products offered to the customer;
- Personalization of packaging to increase the number of customers contributing to a more attractive presentation;
- Gradual replacement of existing packaging with ECO type, to attract a different niche of customers;
- Ensuring an optimal number of human resources and increasing the level of professional training of the staff in the unit through qualification and retraining courses at work.

The choice of the quality strategy was in accordance with the quality policy of the company *Morărit și Panificație Roman S.A.*, but also with the quality objectives that the company proposed. Thus, the quality strategy chosen is that of diversification through quality. The company aims to: enter the market with new products - confectionery; to modernize its current production section; to change packaging.

The factors that determined the choice of this strategy were:

- market demand, there have been changes in consumer behaviour, moving towards responsible consumption, preferring ECO-type packaging; consumers prefer a smaller amount of bread, but of a better quality (www.artaalba.ro); and increasing demand for pastries and confectionery;
- the fundamental objectives of the company, the chosen development strategy is in accordance with the objectives that the company has proposed;
- staff skills, the company always invests in the skills of its employees through qualification and retraining courses, also the fluctuations of employees are very small, the company having employees with more than 10 years seniority in the company.

Table 2 lists the stages and processes for implementing the chosen strategy, as well as the implementation costs.

Stages and costs of implementing the quality strategy

Table 2

Service / product / process	Price	Measure unit
1. Hiring a company specialized in marketing research and financial consulting. The cost of the contract.	75.000	Lei
2. Salary expenses necessary to find suppliers for machinery, raw materials, furniture, refrigerators	10.000	Lei
3. Purchases: TOTAL	607.848	Lei
a. Equipment for the existing production section	116.728	Lei
b. Confectionery equipment	491.120	lei
c. Furniture for the new operating divisions in Bacău and Piatra Neamț	4.500	Lei/ working point
d. Refrigerators for the new operating divisions in Bacău and Piatra Neamț	8.000	Lei
e. Showcases for operating divisions in Bacău and Piatra Neamț	5.500	Lei
f. Stainless steel furniture	3.000	Lei

Service / product / process	Price	Measure unit
4. Rent for operating divisions	8.450	Lei/ month
5. Expenses for the arrangement of the spaces in Bacău and Piatra Neamţ	3.500	Lei
6. Contracts with suppliers of raw materials and packaging	300.000	Lei
7. Employee expenses	5.600	Lei/ month
Total expenses (Salary and rent expenses were calculated for one year)	2.900.748	Lei

Source: *Data processed by the author*

Table 3 presents the results obtained from the implementation of the quality diversification strategy (2020), compared to the results of the previous year, 2019.

Results of implementing the quality strategy

Table 3

Economic indicators	Values of reference	2019 (before implementing quality strategy)	2020 (after implementing quality strategy)
Average number of employees		105	146
Total income (lei)		15.715.662	18.834.525
Total expenses (lei)		15.383.532	18.284.280
Result (lei)		332.130	550.245

Source: <https://www.bvb.ro>

Due to the implementation of the diversification quality strategy, the company S.C. Morărit și Panificație Roman S.A. achieved positive results at the end of 2020. Thus, the average number of employees increased from 105 in 2019 to 146 in 2020 due to the establishment of the confectionery section and the opening of the 8 stores in Bacău and Piatra Neamţ.

By opening the confectionery section and the points of sale in Bacău and Piatra Neamţ, but also by the investments made in the existing production factory, the total expenses increased by 2,864,748 lei in 2020 compared to 2019, but the investments made brought a financial result of 550,245 lei, with 218,115 lei more than in 2019.

The positive result shows that the choice of quality strategy was the right one, and the decisions taken following the implementation of the strategy were good, bringing a profit of 550,245 lei.

5. Conclusions

Milling and bakery products are basic products, the demand not being negatively affected by social, economic or epidemiological crises. The low presence in other counties and the low range of products offered, determined the company Morărit și

Panificație Roman SA to try to enter new markets, and to expand its range of products by setting up a confectionery section.

By implementing the quality strategy of diversification, the company aims to enter the market with new products - confectionery; to enter new markets - Piatra Neamț and Bacău.

Due to the implementation of this strategy, the company S.C. Morărit și Panificație Roman S.A. achieved positive results at the end of 2020.

As a result of the analysis performed in this paper, the author proposes for the future activity of the company the following:

Entering the hypermarket market. Entering the hypermarket market would only create benefits for the company, increase sales and increase its visibility to consumers.

Establishing a marketing department or contracting a company with marketing services which can help enormously in product visibility, marketing analysis, analysis of consumer preferences and new market trends.

Acknowledgements

I mention that some of the data presented in this article are not accurate. They are estimates and come from the own exploratory research conducted by the author.

References

- Androniceanu, A., 2017. Abordarea tridimensională a managementului calității totale, o opțiune strategică esențială pentru excelența în afaceri. *Amfiteatru Economic*, 19 (44), pp.44-61.
- Calitate ISO-9001. *Avantajele certificării sistemului de management al calitatii*. [online], Available at: <<https://www.srac.ro/ro/calitate-iso-9001>>, [Accessed 10 February 2021].
- Dahlgaard, J.J., Kristensen, K., Kanji, G.K., 2002. *Fundamentals of Total Quality Management*. Nelson Thornes Limited.
- Dinu, V., 2017. Quality management and business excellence. *Amfiteatru Economic*, 19(44), pp. 5-7.
- Eniola, A. A., Olorunleke, G. K., Akintimehina, O. O., Ojekab, J. D., Oyetunji, B., 2019. The impact of organizational culture on total quality management in SMEs in Nigeria. *Heliyon* 5, e02293.
- García-Bernal, J., Ramírez-Alesón, M. 2015. Why and how TQM leads to performance improvements. *Qual. Manag. J.* 22 (3), pp. 23–37.
- Mitran, P.C., 2008. *Managementul calității. Sinteză curs*. [online], Available at: <https://sjse-ct.spiruharet.ro/images/secretariat/secsjsect/biblioteca_virtuala_management/sinteze_si_intrebari_orientative/2018_2019> [Accessed 16 February 2021].
- Neacsu, N.A., 2020. The Customer-oriented Strategy - A Tool for Increasing Customer Satisfaction. *Bulletin of the Transilvania University of Braşov, Series V*, vol. 13 (62), No. 1, pp. 49-56.

- Othman, I., Ghani, S.N.M., Choon, S. W., 2020. The Total Quality Management (TQM) journey of Malaysian building contractors. *Ain Shams Engineering Journal*, 11, pp. 697–704.
- Sahoo, S., Yadav, S., 2018. Total Quality Management in Indian Manufacturing SMEs. *Procedia Manufacturing*, 21, pp. 541–548.
- Todoruţ, A.V., 2012. Sustainable development of organizations through total quality management. *Social and Behavioral Sciences*, 62, pp. 927 – 931.
- *** *Raportul Consiliului de Administraţie*. 2020. [online], Available at: <https://www.bvb.ro/info/Raportari/MORA/MORA_20200430110055_raport-anual-2019.pdf> [Accessed 10 February 2021].
- *** *Cota de piaţă SC Morărit şi Panificaţie Roman SA*. [online], Available at: <www.risco.ro>, [Accessed 5 November 2020].
- *** *Date financiare firma Morărit şi Panificaţie Roman SA*. [online], Available at: <www.bvb.ro/Financiainstruments/Details/Firma=Mora>, [Accessed 12 February 2021].
- *** *Piaţa pâinii, între tradiţie şi inovaţie*. 2019. [online], Available at: <<https://artaalba.ro/piata-painii-intre-traditie-si-inovatie>>, [Accessed 22 February 2021].
- *** *Memorandum, întocmit pentru admiterea acţiunilor emise de S.C. Morărit Panificaţie S.A Roman*. [online], Available at: <https://m.bvb.ro/info/Raportari/MORA/MORA_Document%20de%20prezentare%20listare%20ATS.pdf>, [Accessed 12 February 2021].
- *** Scurt istoric. [online], Available at: <<https://www.panificatieroman.ro/desprenoi.html>>, [Accessed 10 February 2021].