INNOVATION AND INVESTMENT ACTIVITY OF THE OIL AND FAT ENTERPRISES AS AN OBJECT AF MARKETING MANAGEMENT

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Abstract*. The article considers the issues of marketing management of innovation and investment activity of enterprises based on the marketing concepts and approaches that focus on the market and consumer needs. The state and dynamics of the development of innovation and investment activity of industrial enterprises of Ukraine are analyzed. Innovation and investment activity is defined as a component of economic activity of the enterprise and as an object of marketing management. The specifics and goals of management of innovation and investment activity of the enterprise are characterized considering marketing concepts.*

Keywords: *activity, innovation, investment, management, marketing*

In the dynamics of the global market in the segments of crude oil as well as oil and fat products of vegetable origin, there can observed a steady long-term tendency towards the increase in the volumes of supply and demand. The main factor causing this trend is the need to meet the ever-increasing volume of global consumption. The objective reason for this is the growth of consumer demand due to the population growth. Another reason is the diversification of consumption of oil and fat in the industrial segment and for biofuel production.

The global vegetable oil market has been expected to exceed 200 million tons by 2020 due to the growing popularity of healthy, organic and unrefined vegetable oils, which is supported by high demand for vegetable oil worldwide. From the point of view of consumption as a food product, vegetable oils are considered to be a healthier alternative than animal fats, since they contain more unsaturated fatty acids. Vegetable oils are the oils that are widely used in cooking, medicine, cosmetics and other industries. Vegetable oils are the oils or fats obtained from the plants. Their texture can be characterized as liquid and greasy. Most vegetable oils can be used in two ways: they can be used as cooking oil or for the production of fuels and diesel. The most common types of oils include palm oil, soybean oil, rapeseed oil and sunflower oil [4].

In Ukraine, about 90% of oil and fat production is concentrated at 64 large processing plants and 48 oil extraction plants. In addition, the production of oil and fat products, mainly oil extraction and cake production, is carried out by small oil shops and oil mills.

Traditional management of oil and fat companies having such competitive advantages as low prices for raw materials and products and export orientation, ceases to be highly efficient. Until recently, due to the internal transformational economic reformations and the specifics of the oil and fat market, marketing approaches to management aimed at improving production, goods, commercial efforts have been clearly expressed for Ukrainian companies. The cropping areas and production capacities of processing enterprises are increased, high-yielding varieties of

oilseeds are used, seed oil content is increased, logistics infrastructure is improved, new cultivation and processing technologies are introduced in Ukraine. However, this is only a short-term unstable competitive advantage. All this creates the potential for the formation of sustainable competitive advantages, but the next steps are needed for its implementation, which should involve marketing, innovation and investment orientation of the oil and fat business [3].

Modern systems of management of economic organizations were formed as a result of the historical formation and development of management theory. Since the middle of the twentieth century, in the management theory and practice there have been widely spread marketing approaches and principles, according to which management of the economic organization should be based not only on the analysis and forecasting of market development and consumer needs, but the impact on them as well. The set of such approaches, principles, mechanisms and tools has become the basis for the formation of scientific concepts of marketing and marketing management.

In modern conditions, oil and fat enterprises need an increase in the volumes of investments for simple reproduction of worn-out fixed assets as well as the development and implementation of innovative technologies and equipment. These investments must bring maximum benefits for production and, consequently, economic benefits, otherwise they will be uninteresting for investors. Therefore, only active innovation and investment activities will ensure effective economic development of the company through the attraction of money capital and introduction of new, more advanced means of production.

The specificity of the current innovation situation in Ukraine is characterized, on the one hand, by the emergence of fundamentally new research and advanced technological developments, availability of qualified scientific and engineering personnel, and on the other hand, by insufficient level of innovation in real production practices and significant scarce of investment resources.

The report “The Global Innovation Index 2019” provides data on innovation activities in 129 countries and territories. 80 parameters used for the assessment provide a complete idea about innovation development, including an overview of the political situation, the state of affairs in education, the level of infrastructure and business development. Ten most innovative countries in the world also include Finland, Denmark, Singapore, Germany, and Israel (Figure 1).

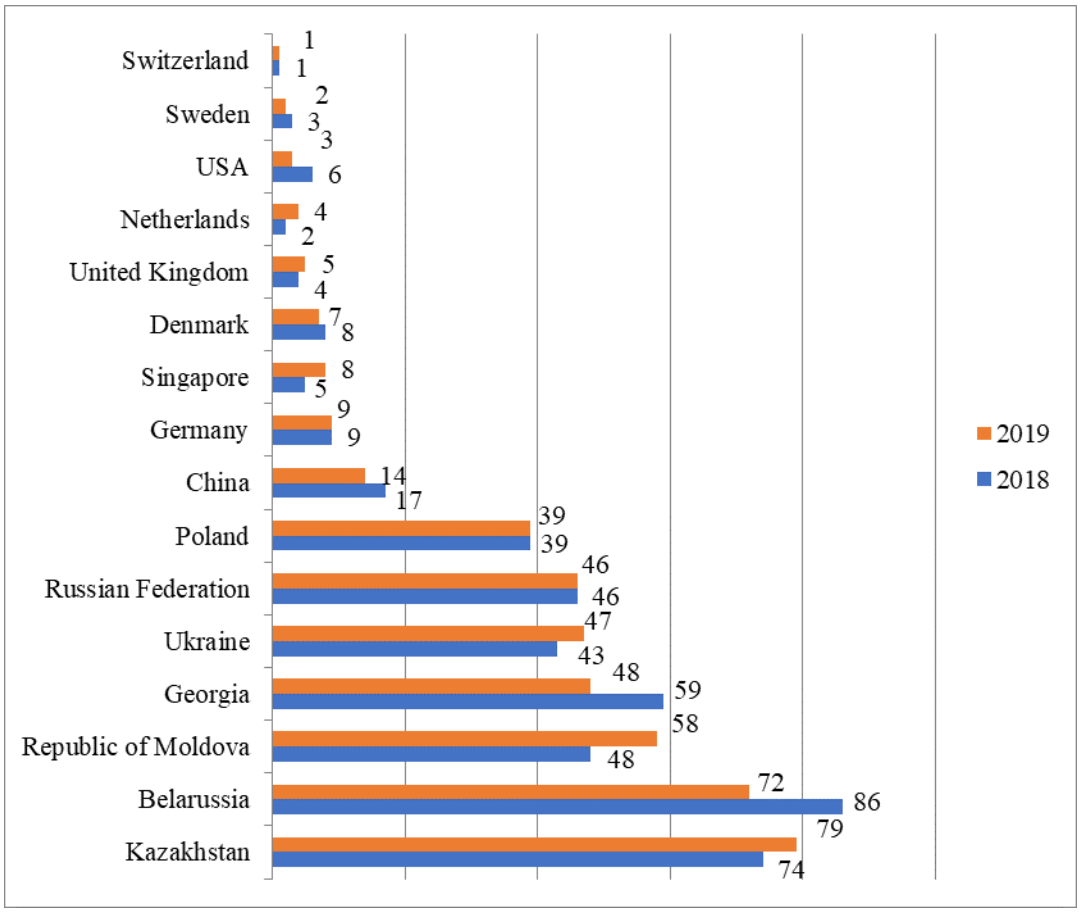


Figure 1. Dynamics of GII by the countries, 2018-2019
Source: adopted from [2]

At the same time, Poland ranked 39th, Russian Federation – 46th, Republic of Moldova – 58th, Kazakhstan – 79th, Belarus – 72nd. Estonia that ranked 24th had the highest indicator among the countries of the former Soviet Union. In 2019, Ukraine lost 4 positions and ranked 47th. While by the level of income that is below the average Ukraine ranked 2nd being behind Vietnam.

The annual Bloomberg Innovation Index analyzes dozens of criteria using seven indicators, including the intensity of research and development, i.e. the ratio of research and development costs and GDP, production with value-added and hi-tech penetration.

For the ranking, Bloomberg analyzes 60 economies mainly in Europe, North America, and Asia. In 2020, Germany ranked 1st with a score of 88.21 points. South Korea and Singapore ranked 2nd and 3rd, respectively. Switzerland and Sweden were also in top 5. Israel, Finland, Denmark, the United States and France were also included in top 10. Ukraine lost three positions compared to last year in the ranking of innovative economies in the world and ranked 56th among 60 countries surveyed. This decline was caused by the weakening of Ukraine's position by 4 of seven components of this index (Table 1).

Table 1

Ukraine's position in the Bloomberg Innovation Index in 2018-2020

Years	General index	Research and development intensity*	Productivity	High-tech penetration**	Concentration of researchers***	Production with value-added****	Efficiency of higher education*****	Patent activity
2017	46	47	50	32	46	48	21	27
2018	53	54	60	37	46	58	28	35
2019	56	57	57	35	49	57	48	36

* R&D expenditure compared to GDP, ** share of innovative companies in the total number of enterprises, *** number of scientists per 1 million of inhabitant, **** value added of production compared to GDP, ***** (share of freelance graduates in the total number of graduates of educational institutions

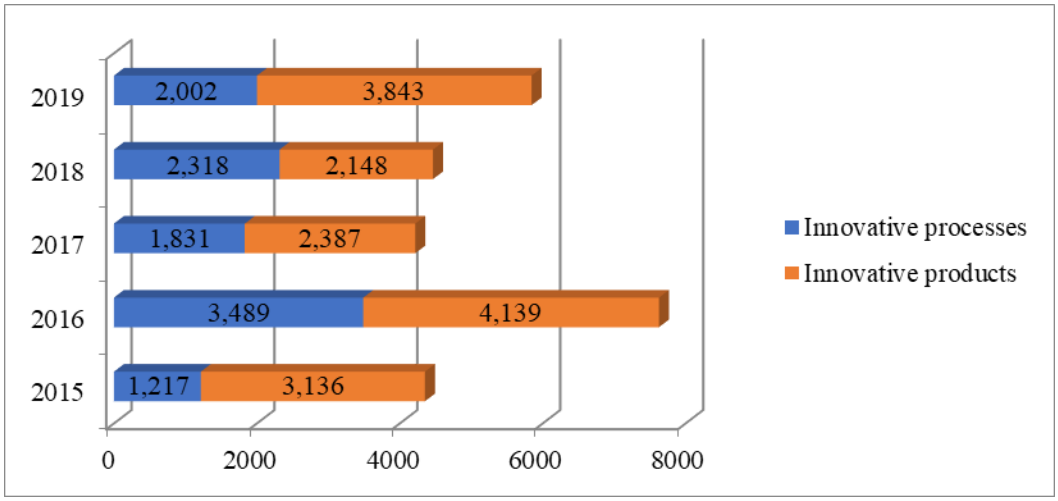
Source: adopted from [1]

It is positive that in the structure of innovation-active industrial enterprises of Ukraine in terms of economic activities in 2012-2019 the largest share of innovation-active enterprises was occupied by food production (16.8%). In 2019, food production enterprises spent more money on innovation than any other industry, in particular UAH 2,869.78 million.

In 2019, Ukrainian industrial enterprises introduced 5,845 innovative technological processes and innovative types of products (Figure 2).

Due to innovative activity, innovative products are created as a result of scientific research and (or) R&D and innovative products in the form of new competitive goods or services. In our previous studies, it has been substantiated that intensification of innovation is of special signification for Ukraine that has recently lost much of its scientific and innovative potential.

The intensity of innovation activity in the food industry is directly related to the financial condition of enterprises, since at the present stage financing of innovations is carried out by more than 85% at the expense of enterprises, which, on the one hand, reduces the burden on the budget, and on the other hand, causes lack of funds to provide resources for the development of scientific and technological progress. Technological backwardness of numerous enterprises of the food industry of Ukraine causes low labor productivity, high resource and energy consumption of products. Along with the creation of domestic technologies, it is necessary to attract modern foreign technologies and equipment, as well as rapidly introduce them. Therefore, it is very important to create and maintain favorable conditions of the innovation and investment climate for the development of innovation processes.



Source: adopted from [5]

Figure 2. Dynamics of the number of implemented innovative technological processes and innovative products in Ukraine, 2015-2019

Innovative oil and fat enterprise of the food industry can be considered as a modern enterprise for the production of traditional, new and improved oil and fat products, based on scientific and technological progress, which involves active use of new technological and technical solutions in order to ensure on-going social and economic efficiency of business activity.

An important condition for the success of enterprises is innovation and technology. Innovative activity and development of technologies determine the efficiency of production and sales, the rate of aging of the product, etc. At the same time, new technologies are costly and therefore require large financial investments for a long period of time.

The level of investment support of innovation activity in Ukraine remains one of the lowest among European countries. Thus, compared to 2016, the volume of financing of innovation activities decreased in Ukraine as a whole in 2017 both nominally and as a percentage of the industry GDP from 4.6% to 1.4%. In 2018-2019, a similar tendency was observed.

In total, UAH 584,448.6 million was invested in all types of economic activity in Ukraine in 2019 as capital investment (Table 2).

Table 2

Volume of capital investments in Ukraine in 2019*

Direction of investment	2019	
	UAH mln	%
Capital investments in all types of economic activity	584,449	100.0
Capital investments in industry	231,849	39.7
Capital investments in the processing industry	103,565	17.7
Capital investment in the production of food products, beverages and tobacco	31,802	5.4

* data are given without consideration of the temporarily occupied territories

Source: adopted from [5]

Results of the study of the global market of oils and fats indicate a tendency towards the growth of the global demand and supply that is caused by the growing global consumption of edible vegetable oils and fats, which are useful to human health, and a growing demand for organic, crude and unrefined oils. Important factors that form this trend also include a wide variety of products that are affordable and acceptable to consumers as well as a wide range of oils and fats, foodstuffs having different food profiles that can meet modern consumer requirements. In addition, there is a tendency towards the increase in the volume of industrial consumption of vegetable oils and as a raw material for biodiesel production.

Introduction of innovation processes, development and promotion of innovative oils and fats requires attraction of large amounts of investments and use of modern tools for the marketing of innovations in the management of their activities. The complexity of marketing management of the innovation-active enterprise requires consideration of marketing in a combination of its three key aspects: 1) marketing as a philosophical concept of business activity; 2) marketing as a system of organization and management of economic activity of the enterprise; 3) marketing as a set of specific tools. Based on the marketing approach, it is necessary to apply a new functional organizational structure and mechanism for managing innovation and investment activity of the enterprise, which will be able to meet the needs of consumers, enterprises and society.

Innovation and investment activity is defined by us as a component of economic activity of the enterprise and as an object of marketing management, which has its own specifics and

goals in relation to marketing concepts (Table 3).

Table 3

Characteristics and goals of the marketing management of innovation and investment activity of enterprises

Marketing concept	**Characteristics of management and its goals**
Improvement of production	Reduction of costs for the purchase of input raw materials Improvement of the production performance Reduction of production costs Reduction of the cost of product distribution Setting of acceptable consumer prices for products Ensuring of maximum product distribution
Product improvement	Study of consumer needs Creation of the "perfect" product Introduction of new technologies and product improvement
Intensification of commercial efforts	Concentration on product sales support Maximum stimulation of the first purchase of products Reduction of balances of finished products
Traditional marketing	Constant research of the needs and behavior of the product consumers Creation of a higher consumer value of products compared to those of competitors Creation of long-term competitive advantages
Socio-ethical marketing	Creation of products that meet the needs of consumers better than those of competitors, taking into account the interests of society Collaboration with all stakeholders of the supply chain and society
Marketing of interaction (relationships)	Creation of the highest consumer value of products compared to competitors Long-term cooperation with all stakeholders (consumers, partners, society), their involvement in product development and formation of the supply chain
Holistic Marketing	Integration of marketing science achievements in 4 components, namely interaction marketing, integrated marketing, internal marketing and socially responsible marketing

Source: formed by the author

Marketing management of innovation and investment activity performs general management functions that are market and consumer oriented. These functions include analysis, planning, organization, motivation, and marketing control. The tools of marketing mix such as product, pricing, distribution and communication policies are used to perform management functions. These tools are combined by a marketing information system and marketing research.

Conclusion. The state of innovation activities of Ukrainian enterprises is an urgent issue in current conditions. In the context of globalization of economic processes, maintenance and increase of the efficiency of innovation and investment activities of oil and fat enterprises requires reorientation towards maximization of the study and meeting the needs of the market and consumers, active influence on them, and application of modern marketing management concepts considering the interests of all interested parties of the supply chain of oil and fat products, investors, and other stakeholders.

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