

CONSIDERATIONS ON THE COMPETITIVE ADVANTAGE AND THE MARKET PERFORMANCE

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Abstract

There is a market? There is a competitive context? There are determinants of performance or they are impossible to identify? Considering the historical data and estimating the magnitude of economic variables over long periods of time, some researchers consider that the determinants of market performance are the capital, the labor and the innovation. Analyzing the economic present from the western countries we conclude that these findings are not valid. Are we in error and it is impossible to find an answer? Regarding this, the study is looking answer of the question: which are the determinants of performance or non-performance of the market in terms of globalization?

To answer, they were analyzed the first three players on the red wine market from Romania. The results highlight the fact that the determinants of market performance are in a continuous motion and follow the changes of values of the global economy.

Key words: enterprise, competitive advantage, performance, market

The starting point of the work is the answer of this questions:

- which are the key factors that define the competitive advantage?
- are there any determinants of market performance or are impossible to identify?

MATERIAL AND METHOD

The analysis of competitive advantage and market performance used research methods corresponding to the competitive environment.

The following indicators were calculated: the market growth rate, the absolute market share, the relative market share, the importance level of market factors.

The material that was used to calculate the indicators consists in data sheets provided by the National Institute of Statistics and the National Employer of Vine and Wine (NEVV)

RESULTS AND DISCUSSIONS

Romania ranks the sixth in the top of the European wine countries, producing in 2009, 5.2 million hectoliters of wine, and in 2010 it has produced a quantity of 4.1 million hectoliters of wine.

The analysis of competitive advantage

It was calculated the absolute market share, the relative market share and the competitive position.

The calculation base is the economic results obtained by the main players on the red wine market in Romania (2009-2010):

- I. S.C. MURFATLAR ROMANIA S.A.;
- II. S.C. VINCON VRANCEA S.A.;
- III. S.C. CRAMELE RECAS S.A.

Table 1

The turnover and market shares of the first 3 competitors on the red wine market

Place on the market	Enterprise	Turnover (mil. euro)		Absolute market share (%)		Relative market share (%)	
		2009	2010	2009	2010	2009	2010
1	S.C. MURFATLAR ROMANIA S.A.	17.4	14.8	10.3	10.6	-	-
2	S.C. VINCON VRANCEA S.A.	10.2	7.9	6.1	5.7	59.2	53.8
3	S.C. CRAMELE RECAS S.A.	3.5	4.2	2.1	3.0	20.4	28.3

Source: Balance sheets on 2010, NEVV, own calculations

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From table 1 we can see that red wine market is lead by SC MURFATLAR ROMANIA SA, with a absolute market share of 10.6% in 2010. The turnover of the company registered in 2010 a decline of 14.9%, from 17.4 million euro in 2009 to 14.8 million euro in 2010. We note however, that in 2010 the leader has an improvement of market position, increasing its absolute market share by 0.3%, compared to 2009 (from 10.3 to 10.6%). This raises the question: How is justified the growth of market position, if the company sales declined? The answer is: the total wine market registered a decrease in 2010 (17.3%), which is higher than the company's turnover decreased (14.9%). The production of enterprises decreased and the companies which could not withstand the pressure of the economic crisis quit the market.

The second major player in this market is S.C. VINCON VRANCEA S.A., which in 2010 had a market share of 5.7%, less with 6.6% comparing to the previous year (6.1%). In 2010, the company sales registered a decrease of 22.5%, compared to 2009, which may explain the decrease of market share.

Unlike the first two competitors, S.C. CRAMELE RECAS S.A. improves in 2010 the both analyzed indicators. Turnover increased by 20% in 2010 compared to 2009 and the indicator relative market share growth in 2010 by 43%.

The first three players in the wine market register different variations of the indicators "turnover" and "market share", namely variations in the same direction (both indicators of S.C. CRAMELE RECAS S.A. increase and both decrease at S.C. VINCON VRANCEA S.A.) or in the opposite (first indicator decreases, and the second increases at S.C. MURFATLAR ROMANIA S.A.).

It follows that the absolute market share analysis does not reflect the true state of the company and its dynamics on the market. Thus, the enterprise market position appears as a variable influenced by market dynamics of the analyzed sector and not by the actual results of company.

If on the red wine market, the leader is S.C. MURFATLAR ROMANIA S.A., then the next companies are permanently reported to it.

In 2010 the relative market share of S.C. VRANCEA Vincon S.A. was 53.8%, that represents over half of the leader's market.

The analysed indicator allows us to form a image of the firm performance, usind always the same reference, namely the leader.

The competitive position of firms is analyzed by means of variables, called in the literature "key factors of success". They do not have a fixed structure, they have an infinity of forms, depending on the enterprise type and size, its level of maturity, the entrepreneurial management, the market of company etc.

The analysis of competitive position answers the question: **what are the variables that give the importance to the company on the market?**

The three competitors of the red wine market were analyzed through the notes received for each traditional factor, considered competitive advantage (table 2, 3, 4). The pressure of globalization on the competitive advantage highlights that the relative importance of traditional factors seen as a whole is about 15%. This raises the question: who actually influence the competitive environment?

For the answer it has been analyzed the position of this field specialists, using the socio-economic method based on the opened questionnaire. The sample consisted in 80 wine enterprises from the Romanian market. The result expresses the fact that over 80% of the competitive environment and market performance is influenced by three factors (table 2, 3, 4).

The first used method, for analyzing the competitive position is the scores method. To each key factor of success is assigned a score from 1 to 5, depending on its performance in the analyzed company.

Then it was used the evaluation grids method, through which is calculated the actual market position of the company. The indicators were weighted by degree of importance, which allowed the calculation of a weighted average score (N has the value between 1 and 5).

Table 2

Evaluation grid S.C. MURFATLAR S.A.

Key factors of success	Importance level (%)	Score
Traditional factors		
Market share	1.1	5
Price	1.3	3
Cost	0.1	2
Profitability	0.1	5
Company's image	5.1	4
Productivity	6.0	3
New factors		
Innovation access and speed of using the innovation (new products)	23.4	2
Position advantage in a prevailing economic flow	40.8	1
Enterprise scale and financing economy	22.1	2

$N_1 = 3.85$ (calculated by considering only the traditional factors)

$N_2 = 1.81$ (calculated by considering all factors)

Table 3 Evaluation grid S.C. VINCON VRANCEA S.A.		
Key factors of success	Importance level (%)	Score
Traditional factors		
Market share	1.0	5
Price	1.4	3
Cost	0.1	2
Profitability	0.1	5
Company's image	6.1	4
Productivity	5.0	3
New factors		
Innovation access and speed of using the innovation (new products)	24.4	2
Position advantage in a prevailing economic flow	34.8	1
Enterprise scale and financing economy	27.1	2

$N_1 = 3.30$ (calculated by considering only the traditional factors)

$N_2 = 1.87$ (calculated by considering all factors)

Table 4 Evaluation grid S.C. CRAMELE RECAS S.A.		
Key factors of success	Importance level (%)	Score
Traditional factors		
Market share	0.9	5
Price	0.8	3
Cost	0.1	2
Profitability	0.5	5
Company's image	7.1	4
Productivity	6.2	3
New factors		
Innovation access and speed of using the innovation (new products)	27.4	2
Position advantage in a prevailing economic flow	38.2	2
Enterprise scale and financing economy	18.8	2

$N_1 = 3.35$ (calculated by considering only the traditional factors)

$N_2 = 2.27$ (calculated by considering all factors)

Considering the weighted average score calculated by considering only the traditional factors, the competitive position of companies is:

- First place – S.C. MURFATLAR S.A., where $N = 3.85$;

- Second place – S.C. CRAMELE RECAS S.A., where $N = 3.35$;

- Third place – S.C. VINCON VRANCEA S.A., unde $N = 3.30$.

From this point of view it follows that the company with the best competitive advantage is S.C. MURFATLAR S.A.. In fact, it recorded the largest drop in turnover compared to the total market. Arises the question: Does a competitive advantage determine non-performance (decrease of turnover)?

For answer, they were introduced into account new factors that influence competitive advantage. The result led to a other hierarchy of companies:

- First place - S.C. CRAMELE RECAS S.A., where $N_2 = 2.27$;

- Second place - S.C. VINCON VRANCEA S.A. where $N_2 = 1.87$;

- Third place - S.C. MURFATLAR S.A., where $N_2 = 1.81$.

In the new panel it reverses the competitive position of companies on the market.

Thus, the company S.C. CRAMELE RECAS SA, although it has a smaller absolute market share it has a better competitive position than the competitors. This is due to a balanced distribution of the relative importance of new factors, focusing on innovation and position in prevailing flow.

Analysis of market performance

The market performance was evaluated in terms of turnover (the increase of turnover = performance; the turnover decrease = non-performance).

According NEVV, in 2009 the turnover of red wine market was 39% of total turnover of wine market, namely 168.5 million and 35% of total turnover of the wine market respectively 139.3 million in 2010. There was a decrease of red wine market performance, measured by turnover.

The explanation of this phenomenon results from the analysis of the factors that influence the competitive environment.

Thus, the pressure of markets internationalization reveals factors which at first sight are not part of the values panel that determine the performance. The relative importance of these factors was emphasized by the worldwide economic crisis. Basically, the economic situation of the 2009 - 2010 years markets showed very clearly that the company flexibility to adjust to change is given by:

- **the innovation access and speed of using the innovation (new products);**

- **the position advantage in a prevailing economic flow;**
- **enterprise scale and financing economy.**

It follows that the traditional factors (price, cost, profitability, etc.) have a very low importance in the front of new challenges of market. Economical cycles have dazzling speeds and the performance always is earned by the first speed. The performance means: innovation, scale of production and financing structure. If on the market you have the second speed, you're already in position of declining product. Why? Because the innovation is already known, its profits were earned by the first speed and the turnovers are decreasing. Everyone copy the products of first came, the economic cycle contracts and is expecting a new innovation, a new scale of production, a new funding structure.

CONCLUSIONS

The characterization of the competitive environment was made on the red wine market from Romania.

The competitive advantage and market performance are influenced by two groups of factors: traditional factors (market share, price, cost, profitability, company's image and productivity); new factors (innovation access and speed of using the innovation, position advantage in a prevailing economic flow, enterprise scale and financing economy).

Key factors that define the competitive environment in terms of competitive advantage are: innovation access and speed of using the innovation, position advantage in a prevailing economic flow, enterprise scale and financing economy.

The relative importance of new factors was emphasized by the worldwide economic crisis. Thus, the factor with the biggest relative importance for all enterprises from the sample was the position advantage in a prevailing economic flow (from 34.8 to 40.8%).

The traditional determinants of market performance becomes invalid in the conditions of system crisis, reason for many entrepreneurs to wonder if there exist or not determinants of market performance. The answer is - "YES" with the explanation that the determinants of market performance are in a continuous motion and follow the changes of values of the global economy.

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