

METHODS AND METHODOLOGY FOR ANALYSIS AND ASSESSMENT OF COMPETITIVENESS OF WINE PRODUCING ENTERPRISES

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Abstract

Depending on the objective of assessing the competitiveness of wine-producers, different methods can be applied. Methods for assessing the competitiveness of enterprises in the wine sector may be based on one or several indicators, on one or several parameters. The factors most influencing the competitiveness of wine producers are: terroir, quality and price of wines, productivity, financial stability, growth, innovation, production and marketing flexibility, corporate image, advertising, adaptability to the market, etc. Ranking wine producers based on their competitiveness is essential to properly assess and analyse the state and position of each at a particular point in time, judging the outcomes of past events on this basis and laying a good foundation for planning future efforts. The aim of the article is to study the methods and methodology for analysis and assessment of competitiveness of wine producing enterprises.

Keywords: *competitiveness; methods and methodology; wine producers*

JEL Codes: *P23, Q12, Q13*

1. Introduction

There are various methods for assessing the competitiveness of Bulgarian and foreign authors and enterprises. Different theoretical formulations exist related to the competitiveness of enterprises, but the practical applications of the theoretical methods proposed for analysis and assessment of competitiveness of wine enterprises are not the same.

That has resulted in the need to develop and apply scientific methods to assess competitiveness of wine companies. On this basis, the research question related to the possibility of improving the competitiveness of companies in the wine sector is formulated, which requires revealing their capabilities by assessing their level of competitiveness.

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Wine production is one of the most important agricultural activities around the planet. The main production areas are in Europe (Italy, Spain, France, Germany and Portugal), America (USA, Argentina and Chile), as well as Australia, South Africa and China (Maicas & Mateo, 2020).

Evaluation of competitiveness of any industry should lead to identification of the potential for building a competitive advantage within this industry and to a suggestion of appropriate directions for competitive strategies of businesses within the industry (Žufan & Chládková, 2008).

2. Theoretical review

The analysis and assessment of winemakers' competitiveness is a comprehensive process that involves multiple factors. With the help of this assessment, the definition of vision, mission and development strategies is more accurate and adequate, while also supporting the marketing, production and innovation activities of enterprises.

Thus, the effective functioning of an enterprise is determined by diagnosing competitiveness and developing mechanisms for managing it (Tikhonov, 2021, p. 403).

Research methods can be descriptive research, exploratory research and or explanatory research (Sakyi, Musona & Mweshi, 2020).

Competitiveness can be captured and measured by several aspects at micro, mezzo, and macro levels (Balogh & Jambor, 2017, p. 2076).

M. Velev studies several methods of assessing the competitiveness of enterprises and their supporters, classifying them as follows (Velev, 2004, p. 43-71): traditional and non-traditional; quantitative and qualitative; deterministic and stochastic; static and dynamic; depending on the purpose of the assessment; depending on the number of indicators on which they are based; depending on the number of indicators on which the assessment is carried out; in terms of the activity, leading to supreme financial performance; and depending on the basis for comparison. Each of these could find its place in assessing the competitiveness of wine producers, and depending on the purpose of the assessment, those could be selected that will provide the most accurate picture of the level of competitiveness and support decision-making, which is important for the enterprise.

Under the method of McNamee and MsHugh, the competitiveness of compabnies is measured by simultaneously reporting pre-tax net profit levels (McNamee & McHugh, 1989, p. 65).

A subgroup of the traditional methods for assessing the competitiveness of an enterprise are the methods for taking into account the long-term business performance, which use more complex methodologies. Well-known methods from this group are the so-called Balanced Scorecard Model, developed by Kaplan and Norton. These methods evaluate the performance of the enterprise in terms of: internal

and external environment, financial performance and innovation policy (Kaplan & Norton, 2000, p. 66).

The weakness of these methods is that evaluations are based on short-term results and this static nature is at odds with the dynamics of competitiveness and consideration of the long-term success of winemakers

L. Hardy, I. M. Lifits and others are proponents of traditional methods of assessing competitiveness based on the quality of production (Hardy, 1990; Lifits, 2001). However, these methods should be combined with others to achieve a more accurate assessment of the competitiveness of an enterprise.

Non-traditional methods worth mentioning are those of P. N. O'Farrell and D. M. Hitchens taking into consideration the company competitiveness based on quality, price and structure of products sold, and also accounting for management and marketing of an enterprise (O'Farrell & Hitchens, 1989, p. 21).

Depending on the objective of assessing the competitiveness of wine-producers, different methods can be applied, one of which is the so-called "*diamond of determinants of advantages*" of M. Porter (Porter, 1998). This method contributes to strategic decision making.

Methods for assessing the competitiveness of enterprises in the wine sector may be based on one or several indicators, on one or several parameters.

To date, various methods have been employed to investigate the theory of comparative advantage, and they provide the basis for this analysis (Balogh & Jambor, 2017, p. 2078).

In view of the methods presented, it is necessary to select those of them that most fully, clearly and accurately represent the assessment of an enterprise from the wine sector.

In this regard, it is important to present the factors most influencing the competitiveness of wine producers, and namely: terroir, quality and price of wines, productivity, financial stability, growth, innovation, production and marketing flexibility, corporate image, advertising, adaptability to the market, etc.

Defining the criteria for assessing winemakers' competitiveness are important in relation to: clarifying competitive advantages; making comparisons; supporting managers; and making important strategic decisions by winemakers.

2. Methodology for determining the competitiveness of wine producers

The methodology clarifies the main stages for assessing the current competitiveness of wine producers and aims to reveal its reserves, as well as to formulate guidelines for its future development.

The key stages for assessing winemakers' competitiveness are generally the following: gathering the information needed to assess winemakers' competitiveness;

determining indicator and indicator values; scoring the indicators; determining weighting factors; and assessing indicator values.

In cases where the competitive potential to increase the competitiveness of a wine producer is assessed, the following formula is applied to determine its relative position to another:

$$BO_{ik} = 6x \frac{(ST_{ik} - ST_{imin})}{(ST_{imax} - ST_{imin})} + 1 \quad (1)$$

where: BO_{ik} – score of the i -th indicator for the k -th wine producer;

ST_{ik} – the value of the i -th indicator for the k -th enterprise;

ST_{imax} and ST_{imin} – the maximum and respectively the minimum amount (value) of the i -th indicator for the entire aggregate of winemakers analysed.

In cases where the potential for improving the competitiveness of two enterprises is evaluated and compared, the winemaker with the higher values of the respective indicator is given a score of 7, and the score of the other winemaker is determined by the formula:

$$BO_{ik} = 6x \frac{ST_{ik}}{ST_{imax}} + 1 \quad (2)$$

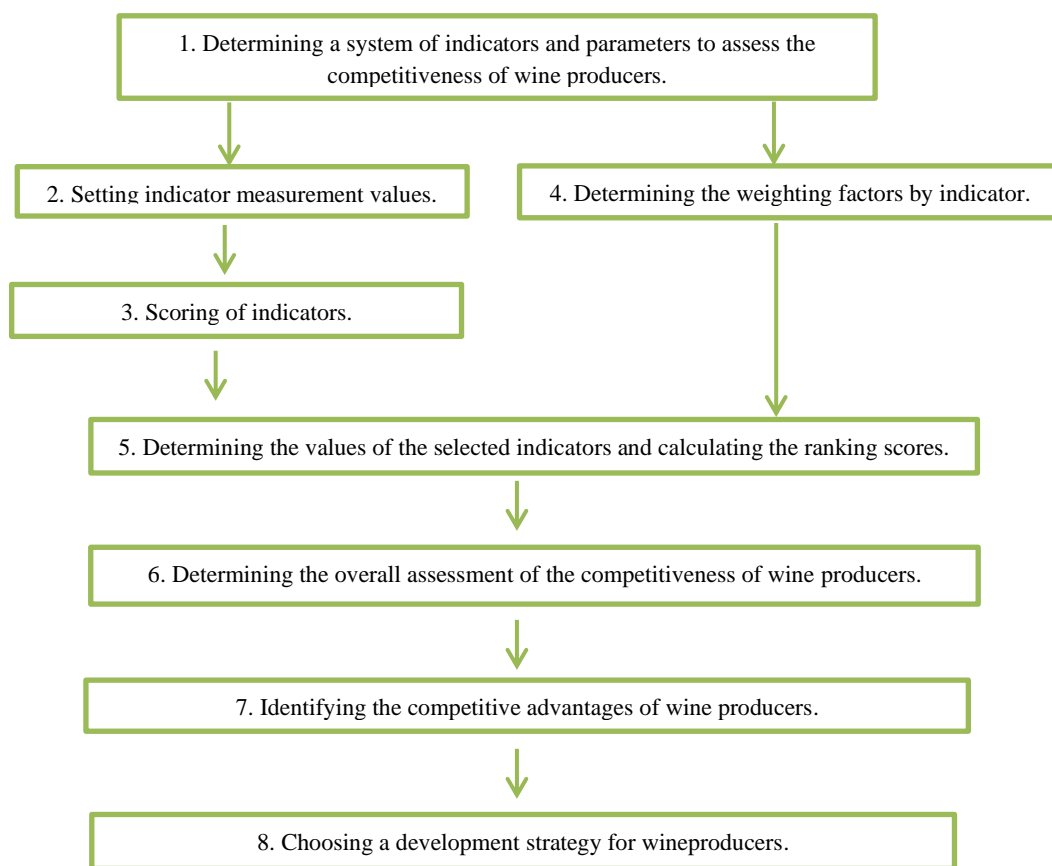
Where a winemaker has a negative value for a particular indicator, the latter is given a score of 1 for that indicator. If both enterprises have a negative score, they both receive the lowest score for it, which is 1.

It can be seen from Figure 1 that after determining the values of the selected indicators and calculating the ranking scores, the overall competitiveness score is calculated, the competitive advantages are identified and it is proceeded to the selection of a development strategy.

Weighting factors can be determined: by expert judgment; by studying the opinions of the managers surveyed; or as a result of empirical research.

The summative assessment of the competitive potential of the wine producers is determined as the sum of the scores by individual indicators weighted by factors of significance.

Fig. 1. Stages for determining the competitive potential of wine producers



Source: adapted after Velev, M. 2004. Assessment and analysis of company competitiveness, Publ. Softtrade, S., p. 105

Table 1 shows that the most significant indicators for the study and evaluation of competitiveness are: terroir (*A multi-layered concept of the relationship between land, vine and man. The relationship between wine characteristics (quality, taste, style) and its geographical origin.*), technologies used, favourable geographic location, financial resources, innovation policy, management and leadership, marketing activity, corporate image, consumer loyalty, relative market share as compared to competitors, exports, availability of long-term contracts with the winemaker, etc.

To that regard M. Velev also draws attention to the importance for the quantity of these indicators, which can be of different importance at any given time (Velev, 2004, p. 127). This group includes: labour force; natural resources; knowledge base;

capital - the amount of capital available to finance the wine sector and the cost of acquiring it; infrastructure, etc.

Table 1. Summary assessment of the competitive potential of wine producers

Indicators	Weighting factor	Scores		Weighted scores	
		Wine producer 1	Wine producer 2	Wine producer 1	Wine producer 2
1. Terroir - price, quality, taste					
2. Technologies used					
3. Favourable geographical location					
4. Financial resources					
5. Innovation policy					
6. Management and leadership					
7. Marketing activities					
8. Corporate image					
9. Consumers' loyalty					
10. Relative market share as compared to competitors					
11. Export					
12. Presence of long-term contracts with the winemaker					
Summarized assessment					

Source: adapted after Velev, M. 2004. Assessment and analysis of company competitiveness, Publ. Softtrade, S., p. 113-116

R. Dimitrova examines the monitoring of the competitive environment, including the following main components: industry analysis, competitive analysis and forecasting the changes in the competitive environment under each component of the analysis (Dimitrova, 2014, p. 71).

From the point of view of the effectiveness of the activities of competing enterprises in the wine market, in structuring the indicators of competitiveness, S. A. Ablyazova recommends taking into account the following main factors (Ablyazova, 2006, p. 47):

- Wine producer's corporate image;

- Wine production technologies;
- Quality of wine products (usually determined through tasting);
- Producer's total market share (within the national market);
- the availability of raw materials and the capacity of production facilities, characterizing the ability to recover to the import of new wines and to increase the import volume of utilized wines;
- finance, both own and externally raised;
- the market price of the wines, taking into account possible discounts or surcharges;
- frequency and depth of market researches and their budget;
- pre-sales preparation, demonstrating the winemaker's ability to attract and retain consumers by better meeting their needs;
- the efficiency of wine production in terms of the use of distribution channels;
- level of stimuli for employees, trading organizations and consumers;
- level of advertising/publicity activities;
- the company's policy in the external business environment, which characterizes the winemaker's ability to positively manage their relations with state and local authorities, public organizations, the press, the population, etc.

CONCLUSION

The methods for the analysis and evaluation of winemakers' competitiveness are generally carried out in four main stages: (1) determination of values by the selected indicators; (2) determination of an overall assessment of competitiveness; (3) identification of competitive advantages; and (4) selection of a development strategy.

Ranking wine producers based on their competitiveness is essential to properly assess and analyse the state and position of each at a particular point in time, judging the outcomes of past events on this basis and laying a good foundation for planning future efforts.

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