ANALYSIS OF THE COMPETITIVE POSITION OF S.C. "FUCHS CONDIMENTE RO" S.R.L. CURTEA DE ARGEȘ

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Abstract: *A firm is competitive when it optimizes its resources and opportunities to obtain a medium- and long-term advantage over its rivals, with the ability to secure self-financing, shareholder payment and employee remuneration. Based on these prerequisites, the study aims at conducting a pertinent analysis of the competitive position of a company that is one of the world's leading suppliers of condiments with high and stable profitability. In this regard, the work is relevant and original both through methodology, the results obtained and the resulting conclusions. In conclusion, the study illustrates the complexity of the competitiveness issue and its role in achieving a sustainable competitive advantage as an invisible synthetic component of the strategy.*

Key words: GINI indicator; competitiveness factors; competitive environment; BCG matrix; SWOT analysis.

JEL Classification Codes: L21, M10.

1. INTRODUCTION

Competitiveness of the company is the key issue of high performance management and is expressed by its ability to compete with other firms in a given market. Firms' efforts in today's competitive environments are geared towards implementing and maintaining their business under harsh and fierce competition. There is a strong relationship between the quality of products/services and competitiveness, which becomes the driving force behind the company's development today and in the future.

In this study we started from the idea that in order to appreciate that a firm is competitive it is necessary to carry out a scrupulous analysis of both the firm and its environment of activity.

The purpose of this research is to improve the theories in the field, to find solutions to concrete problems and to enable the generalization of the results obtained for other cases than those studied.

In the methodology of research, the following procedures were followed: establishing the concentration of the market on which the company operates by using the GINI indicator, analyzing the market entry/exit barriers, research on the determinants of competitiveness and the use of three-dimensional diagnosis aimed at: which company performs its activity, examining the competitive forces and the main competitors, the situation of the company analyzed on the internal analysis and the adoption of strategic directions.

2. COMPETITIVENESS OF THE COMPANY IN THE COMPETITIVE ENVIRONMENT. THEORETICAL ASPECTS

The markets are characterized by pronounced asymmetry: there are different market shares, there are undisputed leaders, many companies are struggling for a better position. The market type identification is specifically analyzed using an asymmetry defining indicator which is known as the Gini indicator (Mereuţă, 2004):

$$G = \sqrt{\frac{n \times \sum Ci^2 - 1}{n-1}}$$

, where: Ci - the market share of the economic agent "i"

n - the number of economic agents that are being studied.

Depending on the value of Gini, the markets are classified as follows:

- very high concentration market 0.8 <G <1.0;
- high concentration market 0.6 <G <0.8;
- market with average concentration 0.4 <G <0.6;
- low concentration market 0.2 <G <0.4;
- market with very low concentration 0.0 <G <0.2

The value of the Gini coefficient lies between two extremes, as follows:

G = 0 - economic agents have equal market shares (evenly distributed market)

G = 1 - Only one economic agent operates in the market (monopoly).

Difficulties encountered by entrepreneurs when they want to develop a business in competitive markets are known as entry barriers (Cârstea et al., 2002). The concept refers to the actions of rejecting the appearance of a new competitor by the companies that are already active on the market. The reaction may be voluntary or involuntary and has as its object the prevention, with more or less expected results, of competition that may occur on the market. Entry barriers are divided into six categories as follows: the experience effect, the transfer costs, the existence of a production capacity reserve, the access to the distribution network, the need for capital, the government policy and the existing regulations. In some cases, other entry barriers may arise: the existence of a consumer attachment to existing brands, the loyalty of customers in relation to certain products, and prohibitive pricing over new firms (by suppliers, distributors, etc.).

There are situations when companies wish to exit a market, reorient and transfer their capital and activities into new markets. There are firms that wish to maintain the activities in the existing conditions and that raise exit barriers from the market for their aforementioned competitors. Michael Porter classifies the exit barriers thus: strategic barriers, contractual clauses, powerfully specialized and insufficiently redemption assets, managerial barriers, political and social barriers.

The fields of activity need to be studied according to the exit barriers aforementioned because a company (Cârstea et al., 2002):

- needs to know how to enter/ how to exit/ where to relocate, or
- needs to know how to exit/ where to relocate/ how to enter.

The answers to these questions are illustrated in the figure 1.

The most advantageous situation is the one in the second quadrant because the profitability is high and the threat of new competition is low (high enter barriers in place) and the market exit doesn’t encounter difficulties.

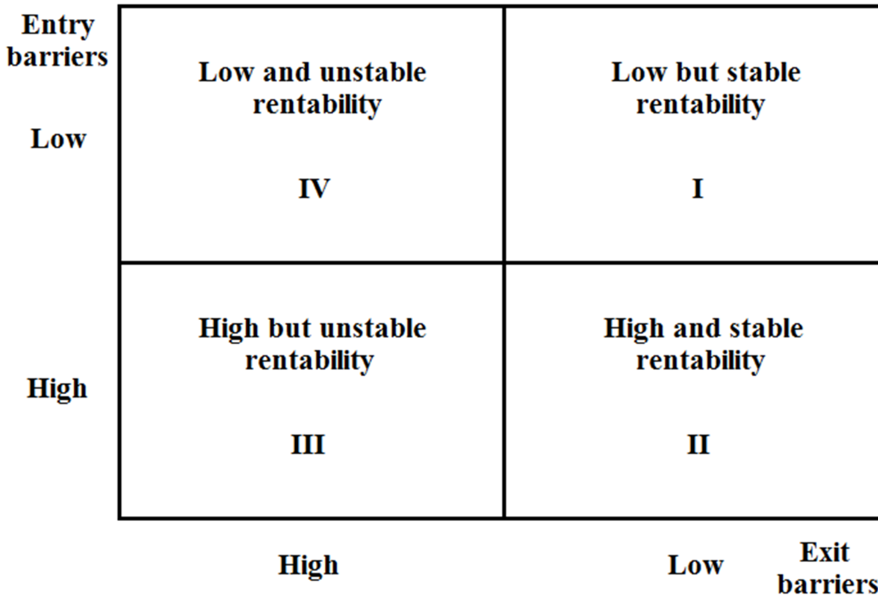

Figure 1 Matrix of activity domain analysis

Source: Cârstea Gh. (coord.), Deac V., Popa I., Podgoreanu S., *Strategic Analysis of the Competitive Environment,* Economică Publishing House, Bucharest, 2002, p. 194.

The third quadrant describes a domain with high profitability, enter barriers that protect from the assault of new competitors. In first quadrant, the low profitability is determined by the lack of signals for a growth of the branch and of profits which determines downstream the disinterest of some competitors to risk a battle that may prove to be inconclusive. The high enter and exit barriers characteristic to the fourth quadrant represent the worst choice because the profitability keeps dropping and the threat of competitors becomes more and more uncomfortable, without having constructive alternatives in a near future for the business of the analyzed company.

Competitiveness is influenced in great measure by the ability to adapt correctly to the external environment and it is possible if the company has at least one competitive advantage coming from within it and is favored by the conditions of the economic environment.

The determining factors in ensuring competitiveness point advantages which can be analyzed separately in regard to the market's reaction (Voiculescu, 2001). The most important factors are: quantity factors - price and quality, the cost/quality ratio, cost and profit, the cost/profit ratio, sales volume; visible factors of the competitiveness –economies of scale, management, productivity, information, product image; the hidden factors of competitiveness – the lobby capacity, application of innovation, the capacity to use past work, the identification and promotion of the own values.

The competitiveness analysis is useful for making strategic decisions and entails a tridimensional diagnosis, which takes into consideration economic environment and the participants (Stăncioiu and Militaru, 1998):

1. The situation of the industry (industrial branch) in which the company is conducting its activity and which entails the analysis of the following elements: the structure of the industrial branch, the forces of progress which determine changes in the branch, economic factors and the characteristics of the business field, identification of the strategic problems of the branch, the evolution of the branch in regards to globalization.

2. Analysis of the competitive situation, which focuses on the following factors: the competitive forces, the competitive positions, the most probable actions of the main competitors.

3. The situation of the economic agent which is subject to analysis. It looks on: the level of satisfaction in regards to the current strategy of the company towards the perspectives of the competitive environment and the branch situation, the company's assessment by SWOT analysis, the evaluation of the ratio between the possibility of making profit compared to the external environment. The most well-known method for strategic analysis of a firm's activity is the **BCG model.** The two variables of the matrix are the company's market share and the overall growth of the market.

3. THE STUDY OF THE COMPETITIVE POSITION OF S.C. FUCHS CONDIMENTE RO" S.R.L. IN THE SPECIALIZED MARKET

FUCHS Group is one of the most important suppliers of spices in the world. With certified expertise from seeding up to packaging, it offers finite products from raw materials, carefully chosen from the planting to distribution. The products of FUCHS group are high quality and the price/quality ratio is optimal. FUCHS group first came out on the Romanian market in 2001, when the factory in Domnesti, Arges was opened. An exploring and adjustment period followed, focused on the business conditions offered by Romania and the realities of the local market. The group continued developing through a new investment in Curtea de Arges, finalized in 2009. For a while, the two factories worked in parallel, during which the popular products of "Cosmin" range were made at the Domnesti factory and the premium products from the Fuchs range were made at the Curtea de Arges factory. The merging of the two entities soon followed.

"Fuchs Condimente Ro." is located in Arges county, Curtea de Arges, 41-43 Nordului Street. The city has many attractions for the lovers of history, old architecture, sightseeing, mountain climbing and rural tourism.

The field of activity of "Fuchs Condimente Ro." is regulated by the CAEN code, position 1084 – manufacturing of spices and ingredients. It needs to be said that the company doesn't cover the entire range of products referred to in code 1084, limiting itself to spices and not reaching sectors such as vinegars and aromatic ingredients. Besides the direct investment in the Curtea de Arges factory, the German group has also a direction of investments regarding the takeover of local brands and companies. In 2010, a EUR 2 million capital infusion made possible the purchase of the spice company "Adazia" from Braila and of the "Cosmin" brand under which the popular products are being made now, a range with less quality demands. The Romanian branch of the company received in 2014 a new EUR 4 million capital infusion from the parent company. After less than a year, "Fuchs Condimente Ro." purchased the "Alex" brand from the "Alex & Comp." Firm in Galati, which occupies a top position in the specialized market. The second local acquisition was "Flexfoil", a packaging producer from Bucharest. The competitive environment in which FUCHS operates is globalized and fragmented. The legislative part is well regulated and the institutional one is well represented.

The market structure in regards to the concentration degree is determined by the Gini indicator (G) for the last three years, starting from the turnover of the top 10 companies: SUPREMIA GRUP, FUCHS CONDIMENTE RO., ION MOŞ, NOY BUSINESS TRANZACTIONS, SIMA PROD, KRALEX FOOD SOLUTIONS, SITEMANI, COMPANIA INDIILOR ORIENTALE, C&D FOOD CONSULTING and PACOVIS ROMANIA. All calculated indicators are placed in the $(0{,}2 \div 0{,}4)$ interval, which shows us that the market has low concentration, therefore high competition.

In regard to the entry barriers of "Fuchs Condimente Ro." we can specify the following:

– the transfer costs: specialized facilities were brought from Germany and the Domnesti factory was relocated to Curtea de Arges; the shock of the move was not too strong because the old factory worked under the "Cosmin" umbrella producing "popular products";

– the experience effect: represents a major competitive advantage, supported by decades in which the „Fuchs" group has entered international markets;
– the acces to utilities: the company is not a big energy consumer, is not environmentally detrimental, is capable to offer adequate production and trasportation spaces, the local administration allowed the purchase of the field and the utilities suppliers were happy to comply with the desires of the new client; there are still problems caused by the high negotiation power of the utilities suppliers;
– the production capacities: the investment is new, the facilities will reach the depreciation threshold over more than a decade, so the factory will function without technical issues for a long time;
– the capital: the mother-company holds a solid position in the market (first in Europe and second in the world) and the development policy is based on frequent capital infusions, aimed at consolidating the position on third markets;
– the government policy: it has become very permissible after 1989, creating the legal framework necessary for attracting investments, especially foreign ones;
– increasing the consumers fidelity: the Fuchs Group policy is to persuasively impose itself on the market by promoting their own products but also by acquiring companies and brands that are facing problems, which are not dissolved, but put to work for the benefit of the firm.

Exit barriers are now determined by the main economic actor who can think of moving into a compulsory converging market at some point, or the economic conditions no longer allow him to make the profit needed to sustain the business. The change in legislation and the inadequate behavior (the companies that exploit wood or other natural resources) are reasons hard to avoid and the solution to stay alive is aligning to the new conditions. "Fuchs Condimente Ro." S.R.L. isn't exposed to such threats, it does not wish to exit the market, has clear consolidation tendencies and the study of exit barriers is pointless. If we analyze deeper the domains of activity matrix, the studied company is places in the second quadrant, with high and stable profitability. The main reason of this position is the production of the spices on fields located on its property, on various continents and with the possibility of quality's strict control.

In the case of "Fuchs Condimente Ro." S.RL., the situation of the sales volume is represented in table 1.

Table 1 Growth of annual turnover of SC "Fuchs Condimente Ro." SRL

Year	2010	2011	2012	2013	2014	2015
Turnover (mil. RON)	52.074	56.421	59.845	61.349	74.798	84.166
Unit. Cost (RON/kg)	240	190	150	130	110	100

Source: www.mfinante.ro and www. infocodfiscal.html.

A continuous growth of the turnover of the analyzed company can be observed. The weakest year in the studied period is 2013 when a growth of a little over RON 1.5 million compared to the previous year was recorded and the best is 2014, with a growth of almost RON 13.5 million. The situation was generated by the capital infusion from the Fuchs Group and the results are encouraging because in the following year, the growth exceeded RON 9 million. It is important to study of the variation in the unitary cost in that period, cost estimated per kg of product, with the purpose of simplifying the calculations.

We observe a constant decline of unitary costs together with a turnover increase.

The trend is due to some factors that act as follows:

- expansion of the experience and specialization of the employees which leads to the annual production increase;
- the effect of experience is even better illustrated by the fact that the number of workers stayed almost constant in the studied period (242 employees in 2010 and 245 in 2015)
- the continuous technology increased the work productivity;
- the most important decrease in costs appeared when the raw material was no longer purchased from other suppliers, but produced by the parent company;
- the investments were implemented at the right time;
- the variety of products and groups of products led to the turnover increase;
- new products and tastes were prepared and implemented with great courage;
- the specific of traditional cuisine was taken into account, being combined with international recipes and trends in an intelligent way.

The most visible competitive factor in the market is the image of the products and the company. The launch of new products is made during culinary events when the company opens modern, spacious and welcoming stands, where visitors discover quality spices for home and industrial use or through sponsoring various events: free air international cooking championships, culinary fairies, TV shows. The most important phenomenon is that the company is oriented towards traditional cuisine, to the specific consumer. Information is a competitive factor well used by the company, especially when the management of the parent company decided to initiate and develop the investment in our country. The most important attitude of the company is focused on the competition and has two totally different approaches:

- a hard and uncompromising attitude combined with a ruthless treatment, unscrupulous, aimed to expel from the market all the other competitors, small of big, many or few, that might have a negative influence on its own business; companies ("Adazia" of Brăila, "Alex & Comp." of Galaţi) şi brands ("Cosmin", "Alex") well known by the Romanian consumer, as soon as they showed signs of weakness, were bought and expelled from the market as economic entities, but the brands are maintained and revitalized under the umbrella of the German company;

-an attitude of collaboration and market sharing that is meant to impose a certain finesse in the specialization of the companies which “Fuchs” applied in “cohabitation” with its neighbor in Curtea de Argeș - “Dr. Oetker” (controls ingredients as mix for deserts, pizza, preservatives, tops), a German company too, which was treated as an equal partner.

The last step of the analysis which takes into consideration the hidden factors regarding the competitiveness of the German company is simple:

- it hasn’t used or applied for natural and native reasons the “lobby” factor, even though our country has employees inclined to such practices;

- use of past work comes from the experience of the parent company which has the capacity to gradually invest, with its own means, to redistribute the fixed and circular assets and to build in any corner of the world profitable entities;

- innovation applied almost instantaneously is a continuous effort of the parent company which always experiments in its own labs and easily introduces the new recipes into the production fluxes of its subsidiaries which become more competitive.

For the study of products or groups of products made by the analyzed company in the context of the BCG matrix, it is necessary to start with the indicators from the table 2.

Table 2 The position of the product groups made by S.C. „Fuchs Condimente RO" – year 2016

No. Crt.	PRODUCT GROUP	RELATIVE MARKET SHARE	MARKET GROWTH RATE	TOTAL SHARE
1.	GREENS (mono)	2,50	3,50%	25%
2.	CONDIMENTS (mono)	1,20	5,0%	20%
3.	SPICES (base)	2,10	9,0%	15%
4.	SPICES MIX	2,20	4,0%	10%
5.	FIXES	1,40	6,0%	8,0%
6.	LET'S DIP	0,80	7,0%	6,0%
7.	PASTRIES	0,65	2,0%	4,0%
8.	SAUCES	0,20	3,0%	3,0%

Source: www.infocodfiscal.html and the company's internal documents

The insertion of the data from the table into a BCG matrix graph is presented in figure 2.

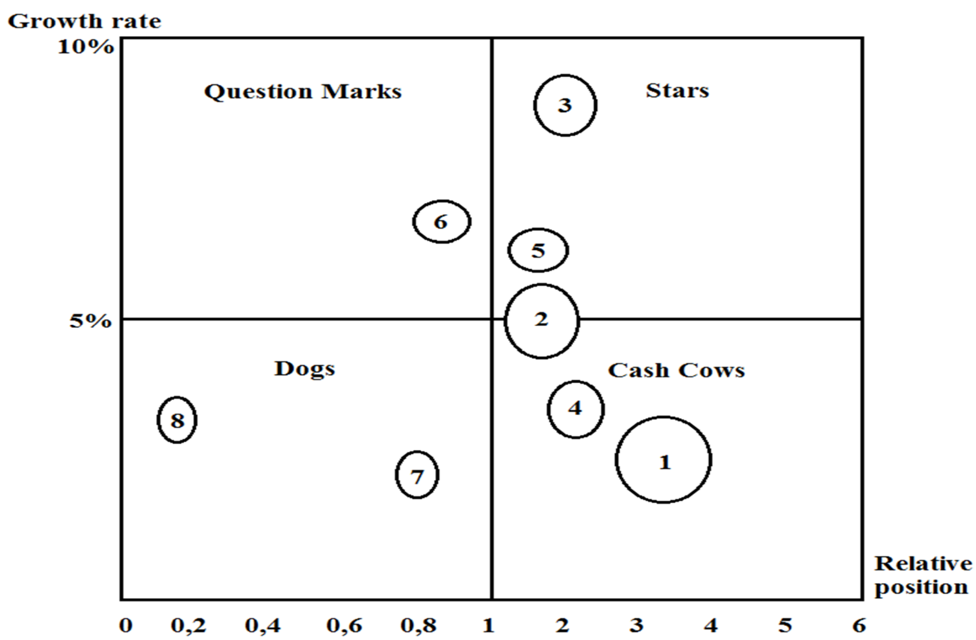

Figure 2. BCG Matrix of analysis of the competitiveness of product groups manufactured by SC „Fuchs Condimente Ro." SRL

The conclusions are favorable because:

- the products with the highest share of the sales (first 5 places) are placed in the category "stars and cash cows", which offers safety for the future;

- the undeniable star (basic spice for foods) is placed on a superior level in regards to the growth rate and can be even better placed by the quality increase or diversity, for the purpose of eliminating the external competitors from the market;

- there are three stars with a share of 40% of the production, which require new capital infusions to develop (we mention in the context the launch of the product "spice with tomatoes" and of various mixed culinary recipes;

- "cash cows", through their culinary specific, give the impression that they will last forever and will continue to bring profit without any important financial efforts;

- the "let's dip" dilemma promises to become a reality because the new technologies bringing new recyclable packaging, such as: recipients, salt cellars, rechargeable grinders;

- the "dogs" are more of experiments which can evolve or can be dropped according to the evolution and without significant losses.

The IFEM şi EFEM (Stăncioiu and Militaru, 1998) evaluation matrices related to the SWOT analysis are presented in tables 3 and 4.

Table 3 The internal factors evaluation matrix (IFEM) for SC "Fuchs Condimente Ro." SRL

No. Crt	Internal factors	Coefficient of importance - Kj	Market potential - Nj	Weighted score (P_{GI})
1.	Financial power	0,10	3,5	0,350
2.	Competitive price	0,10	2,8	0,280
3.	Quality	0,20	3,5	0,700
4.	Market share	0,20	3,2	0,640
5.	Economies of scale	0,15	3,8	0,570
6.	Product line	0,15	2,9	0,435
7.	Contact with customers	0,10	1,7	0,170

$$P_{GI} = 0{,}350 + 0{,}280 + 0{,}700 + 0{,}640 + 0{,}570 + 0{,}435 + 0{,}170 = 3{,}145$$

The global power of the entity according to the internal factors places the studied company in the high potential area which provides positive expectations. The most conclusive external factor through the competitiveness perspective is the diversity of offer, which ranks first, far away from the following: the demand on the external market. The IFEM and EFEM analysis has, at first glance, surprising results by the value approach of the two coefficients of global power (PGI = 3,145 and PGE = 3,152).

Table 4 External factors assessment matrix (EFEM) for SC "Fuchs Condimente Ro." SRL

Nr. Crt	External factors	Coefficient of importance - Kj	Market potential - Nj	Weighted score (P_{GI})
1.	Demand on the foreign market	0,15	3,20	0,480
2.	Market expansion	0,11	3,60	0,396
3.	Product diversification	0,24	3,80	0,912
4.	Export opportunities	0,12	3,50	0,420
5.	Competitive prices	0,10	2,40	0,240
6.	New distribution networks	0,18	2,30	0,414
7.	Promotions	0,10	2,90	0,290

Source: www.documents.tips/documents7analiza-swot-558bfca0514f6.html/#

$$P_{GE} = 0{,}480 + 0{,}396 + 0{,}912 + 0{,}420 + 0{,}240 + 0{,}414 + 0{,}290 = 3{,}152$$

4. CONCLUSIONS

The competitiveness analysis of S.C. „Fuchs Condimente Ro.” S.R.L. highlights a unanimous conclusion: the company is the most competitive on the Romanian spice market. Taking into account the entire CAEN 1084 code, which includes spices alongside with ingredients, company from Romania of the Fuchs group is no longer a market leader, being surpassed by the „Supremia Group” of Alba Iulia and „Ion Moş” of Bucharest. The first of these companies has now a reorientation towards the Scandinavian markets, and the second openly declared that it cannot be a competitor for „Fuchs Condimente Ro.” S.R.L. due to the lack of domestic capital. The other firms on the market are far below the German subsidiary’s competitiveness. The competition study in the spice industry shows that „Fuchs Condimente Ro.” S.R.L. is likely to be placed before the next three firms, even if they merge. The support received from the parent company, which was continuous and focused on the strategy of gradual development, provided alternative conditions for the growth of economic performance. In just seven years of operation, the company in Romania has become a market leader, which confirms the viability of the development concept and its implementation in a favorable environment. The S.C. „Fuchs Condimente Ro.” S.R.L. management has to take into account the multitude of directions to follow and build viable, courageous and innovative strategies.

The practical study conducted on S.C. „Fuchs Condimente Ro.” S.R.L. reveals the leading position of this economic entity on the spice market. All the methods of identifying the situation at external and internal level place the company on top positions and stimulating expectations for the future. The most important advantage is the adaptability to the Romanian market, followed by the involvement of the group it belongs to. As a final conclusion, we iterate the fact that the company produces spices at German quality and standards that fully satisfy consumers’ demands and conditions. The implementation of the business and its development in Romania have been carried out gradually, without syncope or risk and it is an example of success in international economic affairs of a foreign company operating in our country.

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