

CREATION OF THE COMPETITIVE POSITION, AND INTERNATIONAL ACTIVITIES. CASE STUDY OF TERRAVITA LTD.

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Abstract

One of the forms to build competitive position is working on the global market, allowing to broaden markets, access to cheaper or skilled labour, cooperation with international counterparties, placement of production in the best phase of the value chain, etc. The author describes achieving competitive advantage through globalization of the activities based on the example of a company operating on the extremely dynamic market of chocolate products export.

Keywords

chocolate market, competitive advantage, competitiveness, globalization,

Introduction

Companies operating in the world today must deal with ever-higher barriers of development. To them can be included an intense growth of competition and the aggressiveness of operating, the increasing complexity of the environment, unprecedented dynamics of the globalization processes, economic uncertainties, fluctuations in demand, difficulties in access to skilled labour, shortage of financing and many more. Really fast development can be achieved only by undertakings which make use of any opportunity that allows them to be distinguished from the competition and are the subject to the continuous evolution adjusting their production processes, methods of organisation and management, as well as the objectives and tasks to dynamically changing surrounding conditions. One of the forms to achieve competitive advantage is working on the global market, freeing the market from border barriers, allowing to broaden markets, access to cheaper or skilled labour, cooperation with international counterparties, placement of production in the best phase of the value chain, profit scale, etc.

The research aim of the article is presenting the construction process of creation of competitive position through globalization of the activities based on the example of Terravita Ltd.

Essence of competitiveness

The concept of competitiveness has been widely described in the literature, the most general definition can be found in the Dictionary of Contemporary Polish [Dunaj, 1996, p. 405], which says that a competitor is one that is subject to competition, competes. This so important aspect of economic activity should be interpreted multidimensionally, as it is indeed the ability to gain an advantage over other enterprises in the industry [Gorynia, 2010, p. 77] achievement of which is affected by many different determinants. Competitiveness results from the internal characteristics of the undertaking and provides effectiveness of operating in variable external conditions [Flak and Głód, 2009, p. 38], and it is also the ability of the entity to equal the industry leaders [Veliyath and Zahra, 2000]. Another aspect is, in turn, innovation and flexibility, by which entities achieve an advantage [Abbas, 2000]. Płowiec [1994] indicates the need to achieve a higher profit rate than the prevailing interest rate on the market, which enables long-lasting development.

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The concept which is inextricably associated with competitiveness is competitive potential, which is generally intangible and material resources necessary to function and compete in the relevant market [Stankiewicz, 2005, p. 93]. It is a foundation that determines the ability to obtain, maintain or enhance competitive advantage to rivals [Gorynia, Jankowska and Tarka, 2011, p. 33]

Any company operating on the market holds a competitive position, which is its strength in respect of direct competitors and translates into achieving by the entity profits or loses [Simmonds, 1986, p. 16]. It has a dynamic nature, due to being the subject of incessant fighting between rivals [Porter, 2006, p. 28]. Changes in competitive position are reflected by the relative market share or financial situation [Pierścioneck, 2003, p. 184].

The process of building competitive position is described using the example of the enterprise Terravita Ltd, on chocolate market in Poland since 1991. The study was carried out in the second half of 2013, and it covered the period 2008-2013, in which methods of enhanced direct survey and participatory observation were used. In order to capture a broad spectrum of enterprise competition a categorized survey was used.

Building of the competitive advantage of enterprise Terravita Ltd

At the moment, the analysed entity operates in Poland as a limited liability company with majority of Polish capital. The subject of its business is chocolate products, which are 98% of the production, and are intended both for the domestic and international market. The main importers of the company's products are such countries as Bulgaria, the Czech Republic, Romania, Slovakia, Lithuania, Latvia, Greece and Hungary. The base strategy is based mainly on cost priority. One of the key competences is primarily large flexibility in adapting to the requirements of the customer. The company also attaches much weight to the experience and skills of the management and the crew. Subsequently, you can indicate the production programme adapted to market requirements and contractors, certificates, diplomas and awards granted by the respective institutions, and access to distribution channels. Analysed entity currently employs 170 workers, which is the result of a systematic reduction in employment levels, which 15 years ago was 360 people. Adapting its activities to the requirements of the market, not only the volume of employment has been changed, but also its structure – in 1999, the blue-collar workers were 57% of workers, while now it is 76%. In the near future it is planned to use the hiring of workers, which will significantly affect the flexibility of the production.

The carried out studies have shown that the market for chocolate products and other products containing cocoa in Poland has been developing very dynamically in recent years. In the years 2008-2012 it increased by 23%, giving an average of 5% growth per year. In 2013 the expected increase in production was 6% compared to the previous year. The collected empirical material shows that the market for chocolate products in Poland has not only not decreased as a result of the economic crisis, but has given ample room for the development to producers operating on it.

Table 1. Production of cocoa, chocolate and sugar confectionery - EUR million

Geographies	2008	2009	2010	2011	2012	2013 *
Poland	1 159,0	1 242,5	1 309,7	1 344,0	1 424,0	1 515,9

Source: own elaboration based on Euromonitor International 27/11/2013, *Forecast

Chocolate products constitute one of the most important Polish export products. In 2012, the export value exceeded PLN 3.5 billion which in quantitative represents more than 220 thousand tonnes. In recent years, it has been possible to observe a massive dynamics of growth of chocolate products export, which corresponds mainly to the increase in value terms,

which in the years 2008-2012 amounted to less than 140%. The volume had smaller, but also a significant influence on this situation, and in the same period increased by 86%. In the case of the analysed company during the examined period export in terms of the value increased by 206%, so it was characterised by a much higher dynamics than average in the sector. Despite this, the share of exports of the analysed firm in total exports of chocolate products was not high and ranged from ca 0.4 to 0.6%, which, combined with the fact that not many manufacturers work on the Polish chocolate market, does not allow to include Terravita to the leading Polish exporters of chocolate products.

Table 2. Export of chocolate products and products containing cocoa in the years 2008-2012

Years	Quantitative (tonnes)	Value (million PLN)	Average price PLN/tonne	Terravita value (million PLN)	Terravita share in total exports
2008	119 100	1 527,73	12 827,29	7,01	0.46%
2009	120 730	2 062,86	17 086,56	12,64	0.61%
2010	162 346	2 663,30	16 405,07	10,31	0.39%
2011	194 614	3 221,17	16 551,56	17,34	0.54%
2012	220 981	3 645,34	16 496,19	21,44	0.59%

Source: own elaboration based on GUS (Central Statistical Office) data for the years 2008-2012, as well as Terravita Ltd data.

Analyzing the competitive position of the company, particular attention should be paid to shares in the industry controlled by it. Chocolate products market in Poland is characterized by a significant concentration, three leading firms own 37% of the shares in the market. The industry leader - Mondelez Poland Stock Corp., the company that until April 2013 operated under the name of Kraft Food Poland Stock Corp., controls more than 15% of the total production. In the statement in Table 3. the entity concerned takes only 11th place, however, it is worth noting that it has the highest market share among the companies with majority of Polish capital. In addition, from the collected empirical material appears that the position occupied by the examined company is stable.

Table 3. Market shares of chocolate products in Poland. % of the value 2009-2013

No	% retail value rsp	2009	2010	2011	2012	2013
1.	Mondelez Poland Stock Corp.	-	-	-	-	15,35
2.	Lotte Wedel Ltd	-	-	13,01	12,05	10,95
3.	Mars Poland	12,06	11,25	11,24	11,07	10,69
4.	Ferrero Poland Ltd	7,28	8,44	9,27	9,51	9,33
5.	Aurora Colian Ltd	9,55	9,45	9,08	8,07	9,25
6.	Nestlé Stock Corp., Poland	10,19	9,29	8,53	7,85	7,61
7.	Storck Ltd	4,98	EUR 5,34	5,99	6,55	6,7
8.	Wawel Stock Corp	4,19	4,25	4,49 ODP	4,83	5,01
9.	Poland Jeronimo Martins Stock Corp	-	-	-	2,57	2,85
10.	Tesco Poland Ltd	1,37	1,49	1,61	1,93	2,2
11.	Terravita Ltd	2,24	2,18	2,14	would be at	2,08
12.	Real Ltd	0,86	0,95	1,19	1,44 MB	1,62
13.	ZPC Mieszko Stock Corp	1,92	1,7	1,55	1,6	1,6

14.	Lindt & Sprüngli (Poland) Ltd	0,97	1	1.1	1.14	1.17
15.	Lidl Poland Food Stores Ltd . Ltd Partnership	0.53	.62	0.74	0.95	1.13
16.	IDC Polonia Stock Corp	0.3	0.34	0,7	0.8	0,88
17.	Auchan Poland Ltd	0.43	0.48	0.56	0,68	0.
18.	Trumpf Mauxion Choco Ltd	0.8	0,93	0,93	0.78	0,73
19.	PPHU Millano Ltd	0.66	0.6	0.59	0.72	0.6
20.	Carrefour Poland Ltd	0.22	0.24	0,4	0,49	0.56
21.	ZPC Vobro	0.25	0.27	0.27	0,32	0,37
22.	ZPC Skawa Stock Corp	0.24	0.24	0.22	0.22	0,2
23.	SPD PUH Ltd	0.11	0.11	0.11	0.12	0.12
24.	Kraft Foods Poland Stock Corp	€ 16.21	16,18	16.2	15.61	-
25.	Solidarity, Ltd	1.57	1.56	1.46	1.67	-
26.	Jeronimo Martins Dystrybucja Stock Corp	1.71	1.92	2.08	-	-
27.	Cadbury Wedel Ltd	16,19	16.04	-	-	-
28.	Others	5.17	5.13	6.54	6,94	8.24

Source: own elaboration based on: chocolate confectionery in Poland, Euromonitor International December 2012

Another indicator on the basis of which you can conclude about the competitive position of the company is its profitability. The following table presents the rate of profit on the chocolate market in Poland.

Table 4. Profit margin at chocolate market, 2008-2011

No	Net income/Net sales	2008	2009	2010	2011
1.	Wawel Stock Corp	9.77%	10,16%	12,73%	12,18%
2.	Mars Poland Ltd	5.87%	13,43%	10,84%	9.02 software%
3.	ZPC Mieszko Stock Corp	2.49%	7.85 lbs/3.59%	4.60%	6,40%
4.	Nestle Stock Corp Poland	8.42%	7.70%	8,45%	5,82%
5.	Mondelez Poland Stock Corp	14,59%	12,44%	10.85%	5.65%
6.	Ferrero Poland Ltd	2.24%	6,59%	5,95%	5.02%
7.	Aurora Colina Ltd	6,03%	6.29%	5.35%	2.78%
8.	Lotte Wedel Ltd	n/d	n/d	n/d	1,39%
9.	Terravita Ltd	0,20%	0,38%	0,30%	0,02%
10.	Lindt & Spruengli Poland Ltd	n/d	-9 722%	-9.66%	-11,38%
11.	Storck Ltd	4,18%	4,17%	2.43%	NA

Source: own elaboration based on <http://bck.securities.com> emis benchmark

Terravita is far from market leader in the above statement, however, this may be caused by a specific company policy, which closely cooperates with its sole distributor - Eurovita Ltd which allows for fairly free pricing.

Summary

The chocolate products market in Poland on the one hand, is characterized by high concentration and high level of competition, especially from western companies, which create big challenges for the analysed entity. On the other hand, it is also characterised by a significant growth, which gives an opportunity for the companies operating on it. Particularly intensively growing aspect is export of chocolate products which reached in 2008-2012 an increase of 140%. Analysed entity, in an attempt to strengthen their competitive position, observes changes in the market and tries to make many contacts with foreign business partners. The export of its products during the examined period was characterized by a greater dynamism (206% increase) than the average of the sector. The export share of the studied company in the export of chocolate products in total, although low (0.6% in 2012) within 4 years increased by 28%. Globalisation activities of the company have helped it maintain the competitive position, which though not high, is stable.

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