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COMPETITIVE ANALYSES OF LOCAL BAKERIES IN PRISHTINA/ REPUBLIC OF KOSOVO

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Abstract:

The main problem of today's companies is the division between marketing and sales as separate departments in company, or better saying, including the sales as division within the marketing department. Through this "regulation" of departments, enterprises will have more knowledge about market and competition and will be a step forward their competitors. The main purpose of this paper is to identify competitive analyses of local bakeries in the Capital City of Kosovo, Prishtina, and define how they act toward the competition and what strategies they use to compete in a very competitive business environment, pricing or quality based products offered to customers.

While doing a research and analyzing competition and competitive strategies of bakeries, I found out that most of bakeries are based on achieving their competitive advantage in the market through lower prices than competitor and few of them based its strategy toward offering qualitative products and services to the customers and through it they have a better image and got customer loyalty. This situation is as a result of not having marketing department in any bakery or a person who is responsible for marketing. The only reason for not having established marketing was that these companies need more time to transition from sales to marketing activities.

The data for research were collected through questionnaire in fifteen bakeries within the Prishtina city. Methods used for research have been descriptive, comparative, analysis, and synthesis. The research instrument was a questionnaire, the technique has been direct communication and research was conducted between months February and March 2012.

Key Words: Competition, advantage, strategy, bakery, quality

Introduction

Bakery assortment of products in Prishtina is based mainly on production of different types of bread on sizes from 300 gr. up to 800 gr., but the most popular one is the bread of 500 gr., and also in assortment are included raw croissants, bread for hamburger (small pieces of bread), and bread for sandwiches. These are typical products and in a way traditional products of bakeries for years. Bakeries that have mixed their offer with patisserie products are not included in this paper. However, their competitive analyses are still poor and they are focused on their strategy mainly by following the market leaders through pricing strategy. They think only how to attract new customers and retain existing ones. But they should consider not only needs of the market, but also competitor strategies. *The first step is competitor analysis, the process of identifying, assessing, and selecting key competitors. The second step is developing marketing strategies that strongly position the company against competitor and give it the greatest possible competitive advantage*[26]. Based in a first step remarks above, every industry should keep in mind and be careful on forces that determine competition. *The state of competition in an industry depends on five basic competitive forces: rivalry*

[26] Kotler. Ph. and Armstrong G. *Principles of marketing*, Ninth Edition, Prentice Hall International, Inc, New Jercey, USA,2001, page 682

among existing firms, bargaining power of buyers, threat of new entries, bargaining power of suppliers and threat of substitute products or services.[27] Bakeries in Prishtina haven't done any competitive analyses, excluding the case they analyze potential threat from new entries and during the period there is a lack of flour in the market, they discuss how to reduce bargaining power of suppliers. Customer care for them means offering quality fresh bread and "appropriate" prices for bread, but line extension is still only as solution for future, because they still think they will get new customers and retain existing ones through quality and competitive prices. Building a sustainable growth strategies and profitable growth through differentiation or cutting cost of production and through extension of production assortment is still not in their planes.

Marketing definition

Marketing is the main function within the organization since it connects enterprise/products or services with customers. Every day in every step we do have marketing, we do promote ourselves or our products, we offer the value to the market and benefits they have from our products or services and we expect in return to have success in the market, to have profit and through that profit to grow company by adding new products, new lines of production, new brand and finally new extension on the market, we increase our market share. Therefore, Marketing is defined by different authors and associations in different ways, but each and every author gives the point on his/her definitions on customers and value to the customers. They keep in mind also competition and the role of competition for our company as inspiring to improve our products and services better then competition do. That means, to give customers a strong reason why to buy from us and not from competitors. The most famous author of marketing, Philip Kotler says:*"Marketing is social and managerial process whereby individuals and groups obtain what they need and want through creating and exchanging products and value with others* "[28]. Other definitons about marketing, worth to mention are: *"Marketing is a process of planning and implementing concepts of pricing, promotion and distribution of ideas, goods and services with the aim to create the exchange which fulfills the needs of individuals and organization"*[29]. To compete with others means having in mind to mix well for elements of marketing mix, product, price, place and promotion and make everything work in a strong circle and interaction between them.

Competitive analyses

Competitive analyses should progress through the following stages:

- Identification- Identify all current and potential brand, product, generic, and total budget competitors
- Characteristics- Focus on key competitors by assessing the size, growth, profitability, objectives, strategies and target markets of each one
- Assessment- Assess each key competitor's strengths and weaknesses, including the major capabilities and vulnerabilities that each possesses within its functional areas (marketing, research and development, production, human resources, and so on).
- Capabilities- focus the analysis on each key competitor's marketing capabilities in terms of its products, distribution, promotion and pricing.
- Response- estimate each competitor's most likely strategies and responses under different environmental situations as well as its reaction to the firm's own marketing efforts.[30]

Based on these stages, every company should pay attention to their competitive environment and take all necessary steps toward the creation of comparative advantages in the market and give strong reasons to their customers why should they buy from them and not from their competitors.

Knowing the competition, based on above mentioned stages, means that we are ahead them, but we should know what kind of strategies of marketing to use and overcome competitors. Michael

[27] Porter Michael, Competitive strategy, Techniques for analyzing industries and competitors, The free Press, new York, USA, 1980, page 3-4

[28] Kotler, Ph & Keller K. *Marketing Management*, 14th E., Prentice Hall, New Jersey, USA, 2012, page.5

[29] American Marketing Association, *Marketing News*, March 1, 1985

[30] Ferell, O.C. and Hartline D. M.*" Marketing Strategy*" 4th Edition, Thomson South Western, Mason, USA, page 101

Porter[31] was the first author defining so called three generic marketing strategies. These strategies will help company to face easier competitive forces in the market, and they are:

- Low cost strategy
- Differentiation strategy
- Focus strategy

Methodology

The object of the research was to identify and assess competitive analysis of 20 bakeries within Prishtina City, that produce different types of bread, bread loafs, „bread for humbergurs', „bread for sandwiches", croissants, etc. Initially a questionnaire based survey, was prepared and the results of which are part of this paper.

Main methods which are used in this paper are: descriptive method, comparison method, analyses method, synthesis method.

Survey questionnaire was used as the main research instrument, consisted on 7 questions to 20 bakeries, while direct contact with company management was made at the begining of the research. The survey was conducted between February and March 2012.

Results

While doing research and discussing questions of questionnaire, I have noticed that most of interviewers to whom I made question about the competition, was afraid in a way to answer thinking that I am part of any competitor which made me think that they are aware of huge current competition and future one.

First question was about identifying do they make competitive analyses in the market, on their own or they do engage an agency to do for them and do they actually make analyses. Responds have been very strange because only 5 companies did competition analysis; none of them has engaged external agencies and 15 of them declared they never did analysis of competition. This is shown in the Table 1 below.

Table1. *How do you do competition analysis?*

a) By yourself	5
b) By external	0
c) Never do	15
Total	**20**

Next question was about how they compete with competitors and questions also have been very different. Most of them, fifteen companies declared that they "fight" with competitors through prices, three of them declared they base their strategy to compete through quality of products and by keeping the weight of products as we declare, and two of them declared they base their strategy on offering better assortment to customers, through variety of goods and do have better service than competitors. This is shown in the table 2, below.

Table2. *How do you compete with your competitors?*

a) Through price	15
b) Through quality	3
c) Better asortment	2
Total	**20**

Since we had the most answers on price as a "solution" for competing with competition, next question was based on asking them what prices they think are most suitable to compete, and based on answers, as shown in Table3 below, two of them declared that they would compete by much lower prices than competitors, eight of them declared that they try to be lower in pricing than competitors, seven of them declared they compete same as competitors do and only three of them declared that they based pricing strategy on cost plus profit method of compiling their price.

[31] Renko, Natasa. *"Strategije Marketinga"* Naklada Ljevak, Zagreb, Croatia, 2005, page 188, quotation of Porter, E.M. Competitive Strategy, The Free Pres, New York USA, 1980, page 34-46

Table3. *What is your pricing strategy?*

a) Much lower than competition	2
b) Lower than competition	8
c) Same as competition	7
d) Cost plus profit strategy	3
Total	

Staying on the same issue, pricing, next question was about the situation when they would lower the price, but knowing that competitor would do the same. Answers, as shown in table 4, have been different. Ten of them would lower the prices even they know competition will follow them, seven of them would not lower the price if they know competition will do the same, and three of them declared they would not do it if there is an solution to avoid, in case of no other solution, they would do that also.

Table4. *Would you recommend lowering the price if competitors will follow you?*

a) Yes	10
b) No	7
c) Yes, if there is no other solution	3
Total	**20**

Pricing strategy and "fighting" through prices with competition was the next question and my idea to ask from them the opinion is it possible to make an agreement with competitors to avoid this fight. Results are show in Table 5 below and stands as follows: fifteen companies declared that they believe in an agreement with competitors with the aim to lower their prices and fight with them through prices because that would damage end users; five of them would not do any agreement with competitors believing that they do not care what competitors will do until they keep good quality of products and based on their answers, they do care only what consumers of products say and if consumers like and buy their products, they will continue with this conditions of production.

Table5. *Do you believe in an agreement with competition to avoid "fighting with prices'?*

a) Yes	15
b) No	5
Total	20

In previous answers from interviewed companies, the most of them declared they would like to compete through low cost strategy. Identifying which of generic strategies they would use to compete with competitors, not leaving only with low cost strategy, I compiled the question consisting of three generic strategies of Porter, to identify what they think is the best strategy to compete and gain comparative advantage and the results are shown in Table 6, below: eleven companies declared they would gain advantage through low cost strategy, five of them through differentiation and four of them through focus on specific market, specific product or specific geographic area.

Table6. *Which is better strategy to compete and gain comparative advantage in the market?*

a) Low cost	11
b) Differentiation	5
c) Focus	4
Total	**20**

Last question, compiled to get the answer from them on how they think they will implement low cost strategy, was based on possible ways and channels how to lower their cost. As shown on Table 7. Thirteen companies have answered through lower energy cost, meaning to switch production from electric energy to another source of energy (wood energy or gas), six of them would do that through cutting distribution cost by installing a device that will not let drivers to make extra expenditures while transporting their goods, and only one company declared they would cut promotional cost for a bit since they are well positioned in the market and don't need to spend too much on promotion.

Table7. *How would you implement low cost strategy?*

a) Lower energy cost	13
b) Cut distribution cost	6
c) Cut promotional cost	1
Total	**20**

Discussion

During my research and based on questions I got from the questioner, it is obvious that analyzing competition is a very difficult and tough job and needs skills and market research continuously, to see how competitors are dealing with production, their markets, customers, etc. Company should know in advance what competitors are doing, and only then, should know how to act toward these forces coming from competitors and from business environment. *"Knowledge of the company's capabilities and the causes of the competitive forces will highlight the areas where the company should confront competition and where avoid it. If the company is low cost producer, it may choose to confront powerful buyers while it takes care to sell them only products nor vulnerable to competition from substitutes"*[32]. Based on above said by Porter, company should know the causes of the competitive forces and only then, highlight how and where to confront competitor. Bakeries in Kosovo, as was shown on results from questionnaire, are making very low efforts to analyze the competition. 75% of them has never did any analyze of competitors; they are based mostly to run the fighting through prices, to lower their prices and get comparative advantage through that method. The end user, consumer, will not benefit from that. Kosovo has very good sources for producing flour, and avoid imports of flour, so this is as a good chance to do that and gain then, through vertical integration strategy, comparative advantage among competition in the market. These would reduce their cost up to 20% which is quite a good difference when formulating the selling price. I see also as an issue not engaging several existing good agencies from Kosovo or from the region to do market research and to have a view of their positioning into the market toward their competitors. It is not enough to get satisfaction only on current situation, without having in mind the increased level of prospect/ future competitors in an industry that entry barriers are low or have not barriers. Today's common goods market is very popular and Kosovo is facing entrance of international companies every day, especially in the food industry. This should be as an extra reason why bakeries should compile market research and avoid failures in business as it is happening every day, not only in heavy industry, but also in such business as bakeries are.

Conclusion

Based on the research and on the answers I got from twenty respondents, mainly managers of bakeries, I could conclude as follows:

- Bakeries in Prishtina City, are still lacking to do proper market research, especially to search on competitors and most of them do not analyze competitors;
- Most of them compete with competitors through pricing strategy, lowering their prices;
- Low price strategies they base more on following actions of competitors than quality of their products;
- Low cost strategy could be implemented through cutting electric energy cost, and switching system to another source of energy, wood energy or gas energy which is cheaper;
- Even the fact that is hard to differentiate their products, they could do differentiation of their products through size, packaging, and brand extension so that customer will position their products and identify easy;
- Focus strategy also could be done if they concentrate their efforts toward niche markets and gain comparative advantage in the market;
- They would agree with competitors regarding pricing, but this would not benefit customers who are ready to pay for value of products and not only for price;

[32] Michael E. Porter, *How competitive forces shape strate*gy, Harvard Business Review, March - April 1979, page 8

- Bakeries should pay attention to avoid "fight" with prices and instead that, search after vertical integration strategies, buy or rent a mill and cut costs very easily;
- Having in mind that they are dealing in a very competitive business environment, bakeries should try to extend their production and give more choices to customers; this would make them innovative toward customers and keep existing customers and gain new customers.

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