



Assessing and Increasing the Competitiveness of Republic of Moldova Wine Sector

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ABSTRACT

Competitiveness is the capacity of countries to create an enabling environment for indigenous business development; using low-cost strategies, differentiation, substitution, leading to increased productivity; creating opportunities to penetrate foreign markets and added value through their form; citizens by providing jobs with high pay, increasing the purchasing power; contributing to economic growth and to establish a balanced social environment. Enhancing competitiveness of national economy is one of five strategic priorities of the Republic of Moldova, stated in the draft National Development Plan. The wine industry is one of the most important branches of national economy in Moldova. But for Moldova's wine production to be competitive on the world market, wine industry itself should become a branch of modern, efficient, with high economic efficiency, which will not be achieved without investment and without attracting high quality production.

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1. Introduction

Competitiveness looked at both micro-and macroeconomic depends crucially on the ability of decision makers to base, develop and implement a series of coherent strategy that will produce competitive advantages, which may require the organization to to competitors and to achieve greater efficiency. The current situation in Moldova is causing the need for change in the context of a balanced development for achieving progress and competitiveness in the world.

From ancient times wine industry is the traditional industry for the Republic of Moldova. Viticulture and winemaking in Moldova has a history of many centuries and is an inseparable part of life and culture of the people. The need for research on competitiveness issues wineries being determined by the important role of the wine industry in Moldova's economy.

2. Evaluation of the competitiveness of Moldovan wine sector

In Moldova feels a lack of scientific literature and developments regarding the methodological aspects of the evaluation and ensure competitiveness, what makes this issue both in terms of current theory, as well as practical. For these reasons, it becomes important conceptual approach to the issue in question that would take into account international experience in this area and would allow for possible ways and means to ensure economic competitiveness and development in Moldova.

There are multiple methods of evaluation of competitiveness, using for this purpose a large number of indicators that vary from one institution to another. Since 2001, the assessment methodology was based on the economic competitiveness developed by Jeffrey Sachs and John McArthur via the Global Competitiveness Index (GCI). This index is based on three pillars: macroeconomic environment, the state of public institutions and the importance of technology and innovation. IGC uses a different combination of primary data that university enrollment rates, inflation, public finances, the level of penetration of new technologies, and the survey conducted among the participants in the World Economic Forum. In the latter case is taken into consideration some concepts that are not valid in the same shape as the first sub-indicators, but allows for a deeper understanding of the factors that drive the economy. For example, take into account such concepts as judicial independence, the prevalence of institutionalized corruption, or the limits of state involvement in the economy inefficient. All these factors are aggregated through subindici, which then form the total score.

For ranking countries in competitive or less competitive, we also serve indicators from Lausanne Institute of Management, the World Economic Forum, Organization for Economic Cooperation and Development etc. Institute for Management Development at Lausanne (Switzerland), published annually since 1990, world ranking of competitiveness, which examines 323 countries based on criteria.

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The countries that constitute the top 10 remain the same as last year, with some changes in rank among them. GCI results for the first 10 countries show a measurable decline in the average score last year, down from 5.51 of a maximum possible score of 7 last year to 5.45 this year. In other words, it appears that the recession, top-performance competitiveness of countries, on average, declined. Switzerland over the United States this year as the economy more competitive. This performance is explained by the fact that Switzerland has remained relatively stable, while the United States declined in a number of areas. Switzerland economy continues to be characterized by an excellent capacity for innovation and a very sophisticated business culture. When implementing the Global Competitiveness Program in Moldova coordinated by the World Economic Forum through its partner institution in Moldova, the Center for Strategic Development of the Territory, to detect serious problems related to structural economic development of the Republic and the special interest sector growth to solve their business.

Competitiveness in Moldova is a new phenomena and processes of economic development in the Republic of Moldova vegetate show some missing actions and policies that improve and strengthen the competitiveness of the business. At the level of competitiveness is lower Moldova and neighboring countries most of the states which have concluded agreements on trade and economic cooperation, the Global Competitiveness Report shows performed by the World Economic Forum. [4, p.25-35]

According to the World Economic Forum competitiveness focuses on the following 12 pillars, which are grouped as follows:

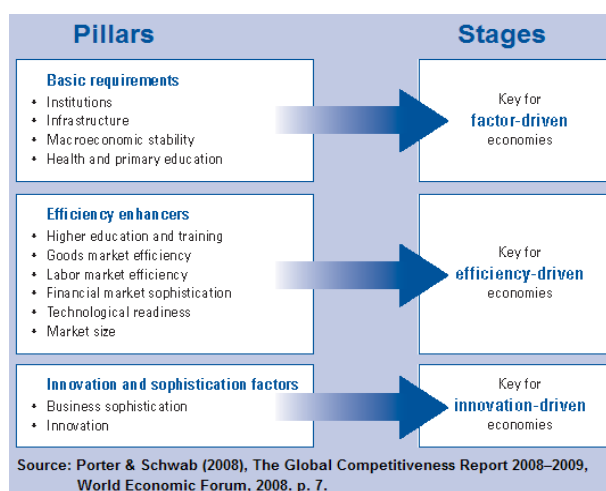


Figure 1. The pillars of competitiveness

A country that has a high position on the competition, you must try to keep abreast of all changes and meet all the indicators established by the Institute of Lausanne and the World Economic Forum. As an example we can serve Japan, which for years held first place in the world ranking. To remain competitive, a country must meet the 10 golden rules of competitiveness, proposed by the International Economic Forum.

Other ways to measure competitiveness are proposed by the Organisation for Economic Cooperation and Development, the Boston matrix, the European Union Statistical Office (EUROSTAT), the Lisbon European Council and Gotteberg. Study Programme for the Development of European Space (PSDSE) trifactorial model proposed by Robert Huggins, United Nations Industrial Development Organization, etc.. Based on detailed measurement and analysis of competitiveness, we have developed its own approach. [3, p.12] Competitiveness can be measured by the following indicators:

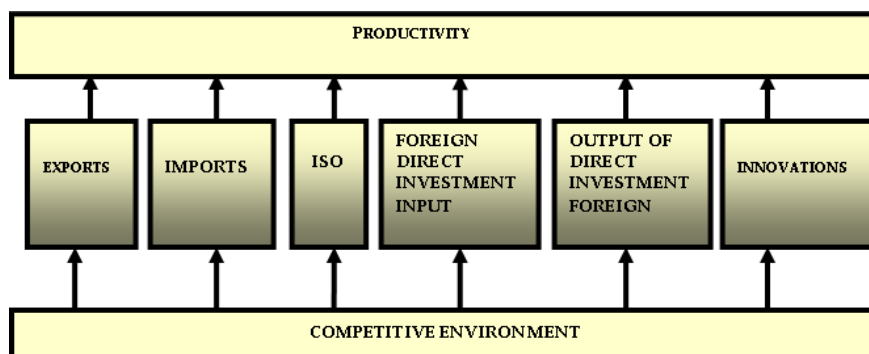


Figure 2. Indicators of competitiveness

Source: Dodu-Gugea, L. Impactul globalizării asupra creșterii competitivității țărilor Europei Centrale și de Est, Chișinău: ASEM, 2009

Evaluation of enterprise competitiveness in a market or a specific segment is based on a detailed analysis of the potential enterprise opportunities in technology, manufacturing, financial, sales, etc. The main objective is to determine where is the state of the company relative to competitors, to determine strengths

and weaknesses, or strengths and weaknesses relative to competition. The basic problem analysis is to determine not what the company can do, but how is it compared to others. Comparison procedure after the main determinants of competitiveness of enterprises involves the collection and use of data on each company on turnover, market share, profitability, financial circuits, software investment, production capacity etc.. The process is complicated due to operating with different units and different indicators according to their nature. To assess the competitiveness needed to transform them into a unique form of measurement. The literature in this regard it is proposed the use of conventional signs, eg "+" "+" or "-" "--", or assigning a certain number of points which is then summed and comparing the total scores, then determine the most competitive enterprise. This type of analysis is simple, but introduces bias in the results. [1, p.9]

As a determinant of competitiveness in the wine-making branch of Moldova must be quality wine. Product quality depends on the infrastructure and productive wine (IP), technical and technological assistance to industry, without which significantly reduce product quality and sales. Quality wine production requires an appointment - to maximize profit potential source of the wine sector undertakings.

Competition can be won or lower price or better quality. The competitive advantage obtained through the quality of wine products, is considerably, if the export is done in economically developed countries where consumers have a certain culture in alcohol consumption. Development of communications, increasing the medical culture determines the rapidly changing tastes of society, the preferences of the "fashion" of consumption. To these are added prestige consumption. Consumers are demanding products to wine quality, they want to be informed truthfully and completely, in order to choose the right products based on their criteria.

Analysis of the competitive context of Moldovan wine industry will be based on Porter (Figure 3.4). Underlying this model is that industry profitability is determined not by outside production produced, not the technology used, but such a factor as the branch structure.

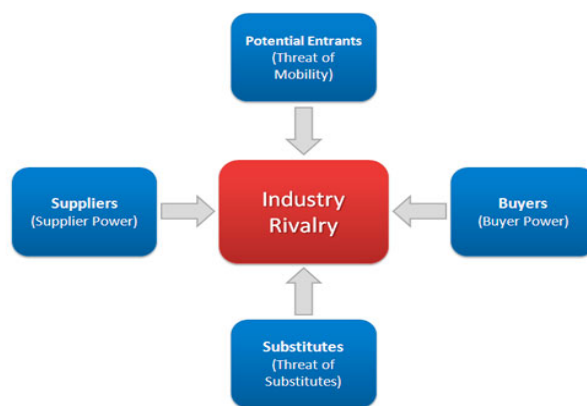


Figure 3. The five forces that determine competitiveness in the wine industry

Source: Porter, M. *Strategie concurențială. Manual de supraviețuire și creștere a firmelor în condițiile economiei de piață*. București, Editura Teora, 2001

Low barriers to new entrants.

Through product differentiation reflects the fact that a company operating in the market has a well known brand and enjoys customer loyalty as a result of advertising campaigns conducted in the past, how the customer service, quality products. Differentiation is a barrier to entry in that it forces them to spend on new entrants to change customer loyalty. This effort involves the initial financial loss, often over a long period of time. We also need to invest significant financial resources to compete effectively in the market creates a barrier to new entrants.

Prices for the purchase or lease land if it is relatively low because of the lack of a civilized land market. Currently, neither the state nor farmers are not able to subsidize or make some major investments in the sector. Therefore, wine is relatively easy for companies to enter the winemaking industry. Export barriers imposed on our country's wine production were taken only in October 2009, were seen in this direction for a more dynamic supply of wine to Russia, which practice and Spain, France, Italy. To exclusion of these barriers led to an improvement in export-sensitive section. Moldova also hopes that this year the export of wine to be a more dynamic and less administrative barriers.

The existence of substitute goods.

All firms in a particular industry compete with firms in other sectors, that produce substitutes, limiting the potential gains of the sector. Wine is a generic product, which has relatively few substitutes. He most often is replaced with beer or other alcoholic drink.

Wine, for various reasons, be that consumers should not eat it, like it or not, it can be replaced with black grapes, or more accurately, and fresh grape juice.

The ability of suppliers to dictate its terms

For wineries, the relationship between suppliers is vast and can be grouped into four sections, namely: the grape and wine suppliers, suppliers of auxiliary materials, financial and human resource providers.

- Suppliers of grapes and / or wine. Are the most important and which, in turn, significantly contribute to the total cost of the final product. The basic requirement for suppliers is to maintain the certification of origin of production and that quality differences can be resolved by a difference in price.
- Auxiliary material suppliers: oenological products, packaging, lids, glass. Generally be said that there were no significant bargaining power.
- Banking sector. As a provider of financial resources, there is a sector with strong negotiating power.
- Company employees have a limited ability to pressure and also their impact on the final product cost strategy is relevant.

The ability of buyers to dictate its terms

Buyers are they in competition with companies, forcing them to reduce prices, improve product quality point of view, to offer more services, virtually forcing them to compete with each other.

Negotiating pressure from customers, with suppliers, directly affects the performance of companies in the sector, as it depends on how the distribution of the total margin generated along the value chain. The buyer has more power, the greater is their ability to negotiate lower prices and erode industry profits.

Rivalry among competitors in the industry

Rivalry among existing competitors takes the form of battle for holding a position as the best on the market - using tactics such as price competition, advertising campaigns, the launch of new products, product quality etc. Marketing firms are always dependent on each other.

Currently domestic wine competition is proving quite tough, given that active market for many years known companies with a strong image and competitive position. Regarding the domestic market, there is a fierce competition, because there are too allowed to enter some markets.

The greatest power to influence the competitive environment of the Moldovan wine companies have competitors and suppliers of raw materials, which basically dictates and economic situation in the branch. Lack of a single method for assessing competitiveness is difficult to assess the competitiveness of domestic enterprises. Currently, global practice and, obviously, in Moldova, there is no single method is well defined and reasoned scientific assessment firm competitiveness. Some methods refer to certain aspects of enterprise competitiveness issues, highlighting the determinants of competitiveness and analysis of indicators of expressing them, methods for assessing the competitive advantages etc.

Analysis of the determinants of competitiveness is achieved, in comparison with major direct competitors. Its purpose is to highlight the strengths and vulnerabilities of the company compared to competitors in terms of resource endowment and use. An important moment is the importance of the determinants of enterprise competitiveness and determination under the current competitive environment.

3. Development strategies and increase the competitiveness of Moldovan wine sector

The analysis of economic developments and eficinței Moldovan wine sector, we can say that increasing competitiveness and efficiency wineries can take place only on appropriate strategies implimentării.

So sustainable growth and competitiveness of Moldova's wineries can be achieved by promoting development strategies focused on:

- Creating a strong bases of raw materials;
- Primary Re-wine business, to ensure good productivity and high quality raw wine;
- Expanding production range by launching new products, taking into account market conditions.
- Increasing research and development that will provide companies with high efficiency compared to its competitors;
- Promoting the image of brands and businesses;
- Development of distribution networks;
- The continuous growth of production quality by proactively Quality Management System based on international standards;
- The quest for new markets (Japan, China, Scandinavia, UK, U.S., Canada);
- Continuous improvement of production processes, which will help increase the quality of production;
- Increase skill levels of staff;
- Reduction of unused assets (sale of equipment and unused space);
- Înzestarea production laboratories with modern equipment to ensure a high level of accuracy in sampling;
- Maintaining and gradual increase of production volume, market share and profitability through rigorous control of production cost.

Implemented the proposed strategies, wineries will be able to improve the position and raise the economic efficiency of its activities.

English scholar Michael Porter approach, strategies are grouped into three categories according to the advantage sought and scope:

- Differentiation strategies;
- Strategies based on the lowest cost;
- Strategies focused.

The classification of strategies of M. Porter, reviewed and refined by contemporary economists, is as follows:

Target Scope	Advantage	
	Low Cost	Product Uniqueness
Broad (Industry Wide)	Cost Leadership Strategy	Differentiation Strategy
Narrow (Market Segment)	Focus Strategy (low cost)	Focus Strategy (differentiation)

Figure 4. The four strategies of M. Porter

Source: Porter, M. *L'avantage concurrentiel*, Paris: Inner editions, 1986;

Next will update strategies proposed by M. Porter Moldova's wine sector.

○ *Cost Leadership Strategy (A)*

Implementând this strategy the company is focussed on the overall market, based on the following two strategies:

1. To obtain the control of the costs, ie a company with the lowest cost;
2. Cost is on the whole market dominance, that the company is focussed on a large number of market segments.

Companies that apply this strategy, are constantly looking for areas that can be used to reduce costs, achieve competitive advantage and increase economic efficiency. The task is to guide all resource companies, energy, creativity to reduce costs.

The risk of choosing this strategy is that the company is likely to stifle product development and market to lose control of costs and shortfalls in technology and the competitive production.

This strategy is good for companies producing ordinary wines, sparkling wines made by traditional metoda, cognacs, brandies, but competition is high, it is not so simple to reduce the production cost of its competitors.

○ *Strategy focusing on cost (B)*

Implementând this strategy the company is focussed on a limited part of the market, based on the following two strategies:

1. To obtain the control of the costs, ie a company with the lowest cost;
2. Costs is not achieved dominance over the whole market, but on a limited number of market segments.

This strategy is used by companies whose products / services are specially prepared and adapted to a limited part of cosumatorilor, which limits the application costs.

In addition to the risks outlined in the strategy "cost leadership", the company B will be tempted to incorporate new segments of the strategy, which requires alternative products according to individual needs.

This strategy of focusing on costs is welcome wineries producing quality wines, sparkling wines produced by the classical method of quality cognacs.

○ *Differentiation strategy (C)*

Implementând this strategy the company is focussed on the overall market, based on the following two strategies:

1. Obtain differentiate its products - to differentiate it from competing products by special needs, which they consider useful and valuable customers and appropriate integration of products / services;
2. To ensure that the completion strategy of differentiation is implementing this across the market, ie large number of market segments.

In order to fulfill this strategy, the enterprise must perform the study aprofunadat market to properly assess market trends and consumer preferences.

The risk of pursuing such a strategy may be that that enterprise has a high per unit production costs, and therefore not competitive. Another risk is the fact that the market should become more uniform and therefore is homogeneous, where price is the most important parameter.

Also, the risk of competitors, which can copy the specific characteristics and compete in prices due to lower development costs.

Product differentiation is very difficult to make because in this field enables a large number of operators, each providing a wide range of production. This strategy is good for companies that produce specific types of wine. In "The restoration and development of viticulture and winemaking in the years 2002-2020", proposed by the Agroindustrial Agency "Moldova-Vin", which stipulates that localities grape varieties can be planted for producing wines with appellation of origin. So, depending on the location of businesses approached areas may fall into this category of wine production. Namely, in case of wines with designation of origin, the risk is

practically excluded competitors since no other organization that is not allowed to produce wines with all the same designation of origin.

○ *Differentiated focus strategy (D)*

Implemented the strategy that the company is focussed on a limited part of the market, based on the following two strategies:

1. To obtain the special needs differentiate its products, which are regarded as valuable and appropriate integration of the product / service;

2. To ensure that the achievement in implementing this strategy of differentiation is limited by the market, often one or more segments, which constitute only part of the overall market.

Implementation of this strategy is necessary for the firm to clearly define the specific market segments whose needs differ from other customers to get a higher price on products / services.

In addition to the risks outlined in the strategy of differentiation, firm D may be tempted to incorporate new segments, products or services requiring alternative. The result of this development may be that the company no longer focuses on original market and became vulnerable to competition.

This strategy is welcome wineries producing brandy in souvenir packaging, wine collection. The products mentioned are required by a limited number of consumers because of their high prices limit demand.

○ *Strategy "Staying in the middle" (E)*

Implementing and undertaking this strategy focuses on the entire market, not having a clear strategy and well defined.

The main purpose of the undertaking is dominant cost, and at the same time, differentiation. It seeks to satisfy the request but has special features, and will therefore be in a difficult situation. Finding the middle is unpleasant but not unusual. Company's strategic position will lead to lower earnings if competitors do not use the same strategy or business is extremely profitable.

If we were to evaluate the strategies followed by leading wineries in Moldova, most businesses will be in the face of E, with no clear strategy. The wide range of manufactured products, making it more difficult to prevent and manner of selection of a concrete strategy, in addition, implementation of financial strategies and expenditure needs, and why local businesses choose a neutral position, being in the middle, without selecting a of the four strategies proposed by M. Porter. But in a market economy with a high level of competition, better selection would be a clear, well defined, to achieve competitive advantage and enhance competitiveness of local wine. For Moldova's wine production to be competitive on the world market, the wine industry itself should become a branch of modern, efficient, with high economic efficiency, which will not be achieved without investment and without attracting high quality production.

4. Conclusion

Currently, world wine producing countries within two categories of wine: new producers and traditional producers. Most countries are traditional producers: France, Italy and Spain. Moldova does not compare with those producers, but according to the International Organisation of Vine and Wine, it is considered one of the traditional producers are among the first fifteen largest wine exporters in the world, the 14th - after the volume of production and 13th place - where areas of vine. But however far the volume of wine production in Moldova has declined significantly over the past years, being half of 2005. And the size of the internal market requires manufacturers to consider export of Moldova is the only alternative for their sales. In 2009, export growth is observed both in kind and in value terms, even if they convey the idea that our wines are enjoying less success in foreign markets, especially that of Russian exports increased by 30% to 2008. Today the important issue is the positioning of Moldovan wines in foreign markets. Analyzing the competitive context of the Moldovan wine industry, using Porter's model, which is that the profitability of the branch is determined not by outside production produced, not the technology used, but such a factor as industry structure, we say that most power to influence the competitive environment in Moldova's wineries have the bargaining power of customers with suppliers. They directly affect the performance of companies in the sector, as it depends on how the distribution of the total margin generated along the value chain. With plenty of power does the buyer and supplier of raw material, the greater is their ability to negotiate lower prices and erode industry profits.

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