

**INFLUENCE OF RESOURCES ON APPLICATION
OF COMPETITION TOOLS IN FOOD INDUSTRY
COMPANIES BASED ON THE EXAMPLE OF WARMIA
AND MAZURY REGION**

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A b s t r a c t

In view of challenges faced by contemporary enterprises, increasing their ability to compete through application of appropriately selected competition tools is an important task. Results obtained from studies covering food industry enterprises from the region of Warmia and Mazury indicate that resources available to them have the major influence on application of such competition tools as company image, product price, product quality, brand and width of products range. On the other hand, the influence of resources on application of such competition tools as range of pre-sale services as well as quality and price of pre-sale services in the studied enterprises was low.

Aiming at improving the effectiveness of competition instruments applied, the food industry enterprises are forced to build and improve their resources as well as their tangible and intangible characteristics. That applies mainly to research-innovation and marketing activities. Strong resources in those areas of operation will allow applying specific and clearly unique configurations of competition instruments.

**WPŁYW ZASOBÓW NA STOSOWANIE INSTRUMENTÓW KONKUROWANIA
W PRZEDSIĘBIORSTWACH PRZEMYSŁU SPOŻYWCZEGO
NA PRZYKŁADZIE REGIONU WARMIŃSKO-MAZURSKIEGO**

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A b s t r a k t

Wobec wyzwań stawianych współczesnym przedsiębiorstwom ważnym zadaniem jest wzrost ich zdolności do konkurowania przez stosowanie odpowiednio dobranych instrumentów konkurowania. Uzyskane wyniki z badań przedsiębiorstw przemysłu spożywczego na Warmii i Mazurach wskazują, że zasoby będące w ich dyspozycji wywierają największy wpływ na stosowanie takich instrumentów konkurowania, jak: wizerunek firmy, cena produktów, jakość produktów, marka i szerokość asortymentu produktów. Mało istotny wpływ zasobów w badanych przedsiębiorstwach ma stosowanie takich instrumentów konkurowania, jak: zakres usług przedsprzedażnych, jakość i cena usług posprzedażnych.

W celu poprawy skuteczności stosowanych instrumentów konkurowania przedsiębiorstwa przemysłu spożywczego są zmuszone budować i doskonalić swoje zasoby oraz ich cechy materialne i niematerialne. Dotyczy to głównie działań o charakterze badawczo-innowacyjnym i marketingowym. Silne zasoby w tych obszarach funkcjonalnych pozwolą na stosowanie specyficznych i jednocześnie unikatowych konfiguracji instrumentów konkurowania.

Introduction

In the market economy, among many new circumstances that appear in the business environment, particular importance is gained by the increasing level of environment variability and aggressive competition rate. Those new environment characteristics apply to both local and global markets. As a consequence increase of competition intensity through use of appropriate sets of competition instruments as means for implementation of strategic market goals is a challenge facing the enterprises. Every enterprise, in a more or less conscious was in each case, uses specific combinations of competition instruments in implementation of chosen competition strategy.

As a consequence it can be concluded that the issue of competition instruments is a rather complex issue for enterprises as a result of high complexity of economic phenomena and their quick change in space and time (ŁĘCZYCKI 2002, p. 32).

In view of new challenges facing the entrepreneurs on grounds of the development of management theory and practice the contents of competition instruments toolbox changed. Starting with the development of classic management school enterprises applied a narrow set of instruments where competition took mainly the character pf price competition, and slightly later price/cost competition. Gradually, enterprises shifted from price competition to quality competition.

In the strategy of cost advantage (cost leadership), the price offered by the enterprise is lower than that offered by competitors on condition that product quality is the same or similar. The strategy of qualitative leadership assumes on the other hand the offer of higher quality of enterprise product offer while maintaining a similar level of price as the competitors or the price higher by as much as the value delivered to the consumers is higher.

In the concentration strategy, on the other hand, the enterprise aims at finding a market niche for which it has the ability and opportunities to offer a better or cheaper product. In this case price or quality of market offer, or both, become the basic instruments of competition (PORTER 1980, p. 38).

The abovementioned Porter strategies are practically no longer used in the enterprise in their pure forms. There are many reasons for that but the main one is the markets globalization process, which causes that enterprises apply other than traditional approach to defining their own competition instruments toolboxes.

With the development of management concept commonly referred to as marketing management, the list of competition instruments expanded. It became a principle that the enterprise influences the market by means of the appropriately designed composition of those tools called by M.H. Borden the marketing-mix (NIESTRÓJ 1996, p. 15).

According to Philips, the marketing-mix should be understood as „... the system of variables controlled by the enterprise in the activity that aims at implementation of selected strategic goals (Philips, 1986, p. 19). That concept is also referred to as McCarthy's Four Ps (MCCARTHY 1981, p. 44), because the set consists of four competition tools:

- product,
- place,
- price, and
- promotion.

Within each of them many constituting instruments can be identified that can be effectively applied in various combinations by enterprises in the process of competing in the market (HAFFER 1999, pp. 49-76).

The concept of marketing-mix expresses the internally integrated structure of marketing through which the enterprise influences market phenomena. Using individual instruments and actions as well as synergies between them it is possible to develop many internally integrated marketing structures. The procedure of drafting the efficient and effective marketing structure is generally based on a search for the ideal marketing-mix concept for the selected market segment. It expresses the marketing structure that allows obtaining maximum effects under given conditions in the process of satisfying and developing the aspirations of buyers (GARBARSKI et al. 1994, p. 41).

Knowing the aspirations of buyers in a given market segment and the complete conditions of enterprise operation, it is possible to determine the characteristics of the product in highest demand among the buyers, the most effective and best accepted level of prices, the most effective distribution channels and the most efficient forms of promotion and advertising. In this way, applying the detailed analysis of individual instruments and actions and

synergies between them, it is possible to draft the ideal concept of marketing-mix, characterized by the ability to generate large effects in influencing the buyers and market phenomena.

As a consequence, it is necessary to carry out such analysis that results mainly from the fact that the scope and intensity of influencing the market by individual marketing instruments and actions as well as their importance for enterprises do not stay at the same constant level (GARBASKI et al. 1994, p. 42).

Frequent changes in business environment lead to modifications of their behaviors. Those behaviors are expressed in changes of the configuration of competition tools applied by enterprises. Changes in the structure and intensity of application of various competition tools depend on widely understood resources of the enterprises, their development and influence on strategic goals chosen for achievement. Unchanged status of resources allows, however, a limited number of competition tools configurations. Dynamically changing environment frequently forces changes in the status and structure of resources to generate the most favorable configuration of competition tools applied (GODZISZEWSKI 1999, p. 287).

Activities of enterprises aimed at winning the consumers are most frequently visible in their market offer. As a consequence, the skills in using specific competition tools are precious assets of the enterprise in gaining competitive advantage. That is of paramount importance in view of the recent accession of Poland to the system of European economy.

As a consequence the ability of assessment of the influence of resources available to enterprises on the current scope of competition tools application in food sector enterprises and assessment of differences (distances) in application of competition tools between enterprises covered and their major competitors in their current markets as well as their competitors from the European Union is an important issue to be studied today. It is also important to be able to point at the competition tools that will be used most often in the integrated European market, or the global market.

Methodology of studies

Within the research program implemented at the Faculty of Economic Sciences of the University of Warmia and Mazury in Olsztyn, the problem group 9 "Structural, economic and legal changes in social and economic processes" subject number 1207.804 "Adjustment of enterprises to operation under conditions of European integration" results were obtained from studies carried out in 86 food industry enterprises in the region of Warmia and Mazury.

Based on subject literature (HAFFER 1999, p. 52, KALIŃSKA 1999, p. 127), 18 competition instruments considered the most frequently applied ones in enterprises in Poland and globally (tab. 1) and 11 functional-resource areas building the so-called enterprise competitiveness potential were identified.

The results obtained from the studies cover, among others, the assessment of the influence of resources in the enterprises covered on application of individual competition instruments. Mutual relations between individual competition instruments and functional-resource areas treated jointly were determined on the basis of grades awarded by management staff of the enterprises covered. Those relations were presented on the basis of the matrix field where the appropriate grade of relation power (influence) was entered according to six level scale where:

- 0 – means absolutely no influence between functional-resource areas upon application of individual competition instruments,
- 1 – means unimportant relation,
- 2 – means relation of low importance,
- 3 – means relation of importance,
- 4 – means relation of high importance,
- 5 – means relation of fundamental importance.

The assessment also covered the scope of competition instruments application by food sector enterprises in their current markets as well as the distance in their application as compared to their main competitors. Aiming at assessment of application of the 18 identified competition instruments in the current markets, during the questionnaire based studies, the management of the enterprises was asked to present that assessment. The assessment was made based on a six level scale from 0 to 5, where:

- 0 – means that a given competition instrument is not applied at all by a given enterprise;
- 1 – that it is applied very rarely;
- 2 – that it is applied rarely;
- 3 – that it is applied quite frequently;
- 4 – that it is applied frequently;
- 5 – that it is most often used by the enterprise as a competition instrument.

To assess the distance in application of competition instruments from major competitors in food industry the management staff of enterprises covered was requested to assess the status of competition instruments application by their enterprises in their current markets as compared to application of such instruments by major competitors according to a five level scale from -2 to +2, where:

- (-2) – means that the given competition instrument in your enterprise is much worse than in its major competitors;

(-1) – means that the given competition instrument is worse than in its major competitors;

0 – means that the given competition instrument is the same as in its major competitors;

(+1) – means that the given competition instrument in your enterprise is better than in its major competitors;

(+2) – means that the given competition instrument in your enterprise is much better than in its major competitors.

Assessment of functional-resource areas influence on application of individual competition instruments

To obtain an answer to the question of what is the influence of functional-resource areas on application of individual competition instrument its grade was calculated as the average of the total influence of functional-resource areas for each competition instrument separately. The power of the relation between functional-resource areas and the given competition instrument was calculated as the average of grades awarded by respondents from all enterprises covered. The influence of functional-resource areas on individual competition instruments was interpreted as the influence of all elements (resources) generally understood as components of the competitive potential of the enterprise.

The results presented in table 1 indicate that the functional-resource areas had the largest influence on application of such competition instruments as company image, product price, product quality and product brand. That influence could be classified as more than significant. The relation of fundamental importance in creating company image, according to management staff, applied to the information area. Also areas such as marketing, organization and management, quality management and employment were highly important for company image. In case of the areas of logistics and research and development activity the relation with creating the company image was of little importance. The product price as an instrument of competition had the strongest relation to the marketing area. It was assessed as relation of high importance. The price was influenced in a similar way by areas of production, information and finance. The relation between price and the area of intangible” resources and research and development area was assessed as having little importance. Product quality was under the strongest influence of quality management and production areas. Areas of marketing and information showed a relation of low importance.

Table 1

Influence of functional-resource areas on application of competition instruments

No.	Competition instruments	Average
1	Company image	3.42
2	Price of products	3.24
3	Quality of products	3.12
4	Product brand	3.08
5	Width of products range	2.98
6	Difference of products offered (from products of competitors)	2.95
7	Flexibility in adjusting products to needs of clients	2.94
8	Access to products convenient for clients	2.93
9	Advertising	2.90
10	Payment conditions	2.89
11	Floating new products to the market	2.86
12	Promotion of sales	2.79
13	Stimulating (creating) so far unknown needs of the consumers	2.70
14	Scope of post-sale services	2.61
15	Guaranty conditions and term	2.56
16	Scope of pre-sale services	2.22
17	Quality of post-sale services	2.14
18	Price of post-sale services	1.95

Source: Own work based on questionnaire studies.

The areas of quality management, marketing and production showed the strongest link to the product brand. That relation was assessed as a relation of high importance. On the other hand the areas of finance and employment, according to respondents, had a relation of low importance to the product brand.

All functional-resource areas treated jointly had an influence of low importance on application of such competition instruments as scope of pre-sale services (2.22), quality of post-sale services (2.14) and price of post-sale services (1.95). According to the management staff of the enterprises covered there was no important relation between the listed competition instruments and the following functional-resource areas as the "intangible" resources area, research and development area and production area in case of scope of provided pre-sale services and quality of post-sale services. The area of logistics also showed unimportant relation with prices of post-sale services.

Assessment of competition instruments application scope

Analysis of results obtained from studies based on arithmetic averages of the scale of competition instruments application (see tab. 2) allows stating that in the enterprises covered the most frequently used competition instruments were product quality (4.00), company image (3.75), width of products range offered (3.67), access to products convenient for clients (3.62), price (3.32) and product brand (3.27). Out of 18 identified competition instruments, 4 are applied frequently, 10 quite frequently and the other 4 rarely.

It can be easily concluded that the food sector enterprises covered, similar to other enterprises in Poland (HAFFER, 1999, pp. 49-76) generally focus on quality of their products, their wide range and the positive image of the company in perception of clients. Those instruments, according to management staff, represent their current strength in competitive combat against the most dangerous market competitors. Product price, that so far is the most important criterion in taking the decision on purchase among the consumers is also an important instrument frequently applied in competition between companies in the market.

Table 2
Scope of competition instruments application by enterprises in their current markets

No.	Competition instruments	Grade (0 to 5)
1	Quality of products	4.00
2	Company image	3.75
3	Width of products range	3.67
4	Access to products convenient for clients	3.62
5	Price of products	3.32
6	Product brand	3.28
7	Flexibility in adjusting products to needs of clients	3.27
8	Payment conditions	3.22
9	Guaranty conditions and term	3.13
10	Scope of pre-sale services e.g. presentation of offer, etc.	3.08
11	Promotion of sales	2.80
12	Advertising	2.78
13	Floating new products to the market	2.78
14	Difference of products offered (from products of competitors)	2.52
15	Scope of post-sale services e.g. home delivery of goods, etc.	2.42
16	Quality of post-sale services	2.42
17	Stimulating (creating) so far unknown needs of the consumers	2.12
18	Price of post-sale services	2.08

Source: Own work based on questionnaire studies.

According to the assessment by the enterprises the prices of post-sale services (2.08), stimulating so far unknown needs of the consumers (2.12), quality of post-sale services (2.42), difference of products offered from products of competitors (2.52) and floating new products to the market (2.79) are of the lowest importance among competition instruments applied. That confirms the fact that the market in which the enterprises covered function is a conservative market possessing no innovative character. The results of studies also show that the enterprises still have problems with appreciating the research and development and innovation areas. Those areas are still the areas characterized by low activity in using them for winning the competitive advantage. At the same time they represent the future reserve where progress and development of resources could secure effective competitive struggle against competitors in the global market.

Assessment of distance in application of competition instruments

The results of studies concerning assessment of distance in competition instruments application calculated as arithmetic averages for all enterprises participating in the study are presented in table 3.

Assessment by management staff indicate that compared to the major competitors the covered enterprises applying a specific set of competition instruments possess few, just 5 instruments, that are better than in case of the major competitors, 2 instruments that are assessed to be applied at a similar level while the majority, 11 competition instruments are graded worse than in case of the major market competitors. The structure of the power distance of competition instruments applied by food sector enterprises to the major competitors is presented in figure 1.

The assessed 18 competition instruments were ranked according to the positive and negative deviation from 0 that in this case represents the equilibrium in application of competition instruments between the covered enterprises and the major competitors. That means that the enterprises covered have few instruments that have stronger power of influencing the buyers than the competition instruments applied by the major competitors. It should be assumed that the means of influence of the covered enterprises in the markets that are their main domain are insufficient to secure for them obtaining the competitive advantage in the future and a significant improvement of their current market position. Creating the appropriate set of market competition instruments also expresses the implementation of accepted competition strategies by those enterprises.

Table 3

Distance between competition instruments applied in the enterprises covered and those applied by their major competitors

No.	Competition instruments	Grade (-2 to +2)
1	Quality of products	0.61
2	Product brand	0.42
3	Access to products convenient for clients	0.34
4	Width of products range	0.22
5	Difference of products offered (from products of competitors)	0.07
6	Flexibility in adjusting products to needs of clients	0.01
7	Company image	-0.03
8	Guaranty conditions and term	-0.11
9	Price of products	-0.23
10	Payment conditions	-0.25
11	Scope of pre-sale services e.g. presentation of the offer, etc.	-0.35
12	Price of post-sale services	-0.36
13	Promotion of sales	-0.44
14	Quality of post-sale services	-0.48
15	Floating new products to the market	-0.52
16	Advertising	-0.66
17	Scope of post-sale services e.g. home delivery of goods, etc.	-0.68
18	Stimulating (creating) so far unknown needs of the consumers	-0.91

Source: Own work based on questionnaire studies.

According to the assessment by food industry enterprises management staff already that small number of instruments allows effective competition and improvement of market position as well as achievement of competitive advantage in their domains of activity under the current market conditions. Those competition instruments are:

- quality of products,
- product brand,
- access to products convenient for clients,
- width of the range of products,
as well as, to a minor extent
- difference of products offered (from products of competitors), and
- flexibility in adjusting products to needs of clients.

It can also be noticed clearly that enterprises covered present a lower quality market offer as compared to the major competitors in the areas of competition instruments such as:

- stimulating so far unknown needs of the consumers,

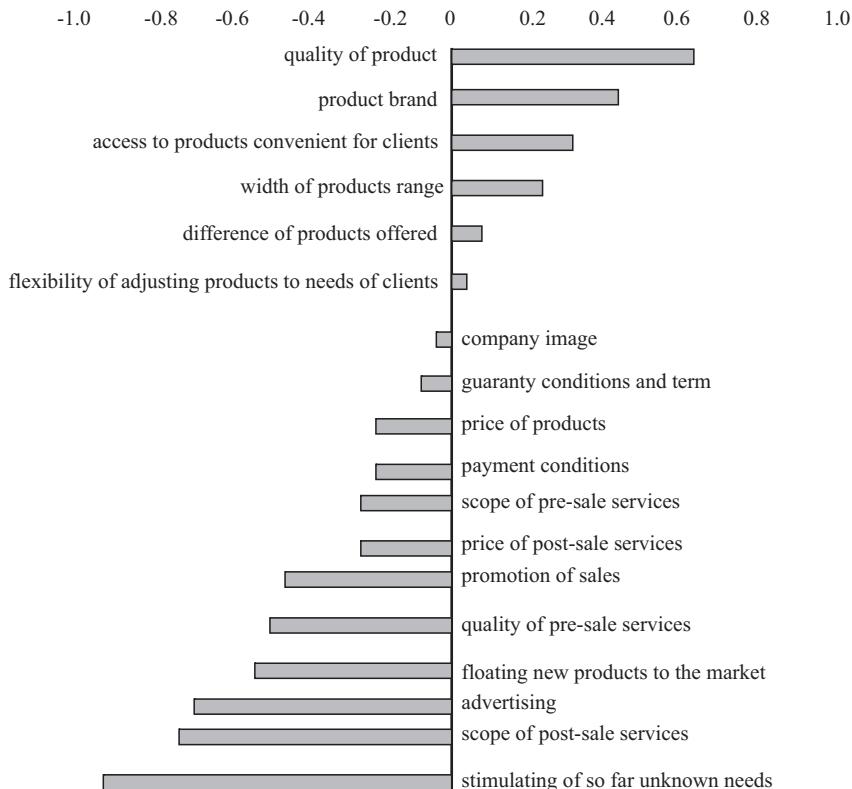


Fig. 1. Graphic presentation of the distance in competitive power of competition instruments applied by the enterprises covered as compared to their major competitors (0 – means equilibrium)

Source: Own work based on questionnaire studies.

- scope of post-sale services,
- advertising,
- floating new products to the market,
- promotion of sales,
- prices of products and payment conditions.

That fact clearly indicates that enterprises covered have large problems with formulating, implementing and maintaining competing strategies that are effective for them and differ from strategies applied by competitors, that is strategies that are unique.

Those weaknesses gain a deeper sense in the situation when we link their analysis to the use of available resources by enterprises. The enterprises covered show shortcomings as compared to their major competitors in such resources as research and development area, marketing, finance or intangible

resources (the here mentioned functional-resource areas were subject to studies and assessment in another part of the research subject). That causes the situation that the above specified competition instruments compared to the instruments applied by major competitors of enterprises covered are their weaknesses in influencing the market.

Conclusion

The obtained results of studies clearly indicate that resources available to covered food sector enterprises exert the largest pressure on application of such competition instruments as company image, price of products, quality of products brand and width of products range. On the other hand low importance of influence of resources can be noticed in case of application of instruments such as scope of pre-sale services as well as quality and price of post-sale services.

To improve the effectiveness of the most often used competition instruments, food sector enterprises should immediately build and improve their resources as well as tangible and intangible characteristics. That applies mainly to the research and development as well as marketing activities. Strong resources in those functional areas would allow enterprises covered application of specific and at the same time richer configurations of competition instruments allowing combat on equal terms with domestic as well as European Union competitors. The necessary condition to achieve that is to develop and implement unique strategies, different from those of competitors, which would allow domestic enterprises an increase in competition effectiveness using instruments that are currently undervalued and as a consequence applied less frequently, creating as for today the lower quality of the offer for consumers. A change of strategies of enterprises in that direction would allow competition on equal terms in developing and maintaining competitive advantage at a longer time perspective guarantying development and survival at the European market treated as the global market.

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