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Market position of selected competitors of the Czech wine market

Tržní pozice vybraných konkurentů českého vinařského trhu

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Abstract: Paper tries to map the market position of eight competitors of the Czech wine market in period 2001–2006. Authors use the Map of the Marketplace approach and compare key economic indicators – Relative Market Share and Return on Assets – of selected firms. During the analyzed period we can see, that some changes of one or of both indicators happened in all of the eight cases, but these were not major changes and it is possible to say, that most of businesses kept their position. The leader of the market is a group Bohemia Sekt, majority of eight analyzed businesses are in the position of ‘In- band followers.’

Key words: market position, mapping, sales, return on assets, wine production

Abstrakt: Příspěvek mapuje tržní pozici osmi konkurentů českého vinařského trhu v období 2001–2006. Autoři využívají přístupu mapování trhu a srovnávají klíčové ekonomické ukazatele – relativní podíl na trhu a návratnost celkových aktiv. V průběhu analyzovaného období došlo u všech osmi vybraných konkurentů ke změnám jednoho nebo obou sledovaných ukazatelů, nebyly to však změny zvláště výrazné a lze říci, že většina firem si udržela svou pozici. Jednoznačným leaderem trhu je skupina Bohemia Sekt, většina z osmi analyzovaných firem patří do skupiny „In-band followers“.

Klíčová slova: tržní pozice, mapování, obrat, rentabilita celkových aktiv, vinařství

Operation in a highly competitive environment is a reality for many businesses and organisations in general. Being able to formulate a strategy in such an environment is (and – even though one can argue to what extent – also should be) based on identifying the starting point; recognizing where the organisation is now in order to derive the possible future “destinations”. Even though the concept of strategy can be grasped from different angles, and some current approaches (e. g. that of Kim and Mauborgne 2005) emphasize the necessity to break the rules of “traditional” ways of competing and try to re-define markets, segments, products, no one would probably disagree, that if we want to talk about “where to go”, we should be well aware of “where we actually are”.

Objective of this paper is to evaluate position of selected competitors in the Czech wine market based

on their market shares and profitability before and after the integration of the Czech Republic into the European Union.

MATERIAL AND METHODS

This paper focuses on the wine production industry in the Czech Republic, and its objective is to “map the marketplace” according to the concept presented by Gottfredson et al. (2008). This approach comes from combining the relative market share and return on assets reached by particular competitors to show their current position. Finding the position of a particular company not only shows the current situation, but enables to specify future actions necessary to be taken in order to move to a more desired position in the

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future – based on comparison with other competitors and learning what do they do better and what can be learned from them.

Material of the paper is the wine production industry in the Czech Republic and selected competitors in this market, for which it was possible to gain sufficient data to define their position in the period of 2001–2006. This also enables to show the development of particular competitors in time and could serve as a basis for defining desired objectives and some features of future strategies of these competitors.

Main method used in the paper is the Map of the marketplace presented in Harvard Business Review by Gottfredson et al. (2008). Relative market share is calculated based on the sales (only sales for own products and own services) of particular competitors in the period of 2001–2006 and their comparison. Return on assets (ROA) is calculated based on the well known formula:

$$ROA = \frac{\text{Operating revenue (EBIT)}}{\text{Total assets}} \quad (1)$$

Particular evaluation of these two input dimensions was done by the authors basically coming from the mutual differences of neighbouring values. The indicators of relative market share and return on assets are used to define the position of a particular company in the Map of the Marketplace scheme (Figure 1), and its comparison in 2001 and 2006, based on which we can derive particular features of strategies used in the past, and possible implications for the future.

Due to the difficulties in gathering necessary data, the set of monitored competitors was set on eight – representing the biggest player, and its three major competitors, and then four smaller producers interesting due to their other characteristics connected with

a specific way of assuring supplies, specific approach in processing and distribution.

RESULTS AND DISCUSSION

Four main competitors in the Czech wine market include Bohemia Sekt (the biggest player, with almost 50% share), Vinium Velké Pavlovice, Znovín Znojmo, and Moravské vinařské závody Bzenec. Analyzed indicators – Return on Assets (ROA) and Relative Market Share (RMS) got slightly worse for four main competitors during the analyzed period. Relative Market Share fell down at the leader of the market Bohemia Sekt, also at Znovín Znojmo and Vinium Velké Pavlovice. Moravské vinařské závody are an exception from point of view of this indicator. Their sales increased by 50% from 2001 to 2006, thereby their RMS increased too. On the contrary their ROA slightly decreased from 9% to 8%. Similar ROA decrease we can also observe at Bohemia Sekt. But high fall of this indicator came in the case of Vinium Velké Pavlovice – from 4% in 2001 to –19% in 2006. The reason of this decline was the big fall of sales attended by rise in costs. RMS of four selected smaller competitors of the Czech wine market stagnated in observed period, but their ROA increased (except Vinné sklepy Valtice) (Table 1).

Data presented in Table 1 are transferred into the concept of marketplace map in the way shown in Figure 2.

After transfer of the key analyzed data into Figure 2 we can observe market positions of particular evaluated businesses. Bohemia Sekt is definite leader of the market. Although it does not lie in the line ‘In-band leaders’ but lies in the line ‘Below-band leaders’, it still has high ROA. The reason is first of all greater

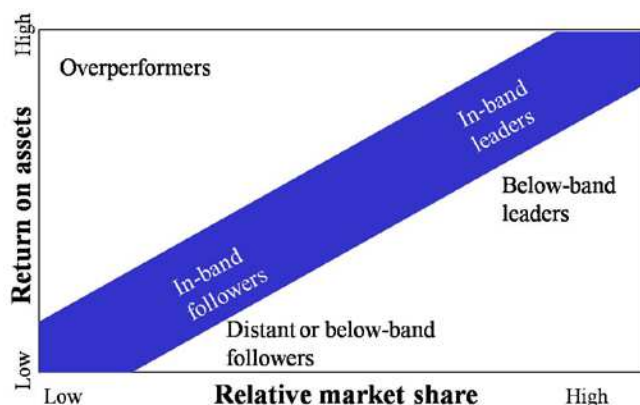


Figure 1. Map of the marketplace

Source: Gottfredson et al. (2008)

Table 1. Comparison of key indicators in 2001 and 2006 (thousand CZK)

Wine producer	2001			2006		
	sales	assets	profits	sales	assets	profits
Ampelos, a.s.	2 603	10 865	302	9 410	17 070	822
Bohemia Sekt, a.s.	1 317 596	1 173 762	118 715	1 210 239	1 540 148	147 601
Moravské vinařské závody Bzenec, s.r.o.	279 329	162 557	14 882	422 006	327 045	25 444
Patria Kobylí, a.s.	198 898	188 045	3 815	169 672	237 269	7 697
Vinium, a.s.	413 578	421 723	18 210	230 890	413 759	-77 683
Víno Blatel a.s.	53 487	50 010	198	37 189	79 639	2 356
Vinné sklepy Valtice, a.s.	186 542	264 348	29 731	164 748	335 254	21 339
Znovín Znojmo, a.s.	320 513	261 805	15 291	224 934	253 489	19 910

Source: Creditinfo (2008)

accumulated experience, leading to lower costs and higher profits. Bohemia Sekt is a multiunit organization. It could be interesting to achieve this analysis also for particular units of this group. To maintain its leading position it is necessary to invest in still-greater market share and in product or service improvement. These factors were also identified by Chládková (2007) as important influences on competitive position of a business in wine production.

Most of the rest of analyzed businesses can be ranked among 'In-band followers' according to comparison of ROA and RMS in 2006. In-band followers

can occasionally jump into a leadership role by an intensive investment in innovation. This theoretical imperative is probably not possible in the wine market; there is no space for such an innovation in the wine production industry. In addition, Bohemia Sekt has a strong position in the Wine market of the Czech Republic.

Vinium Velké Pavlovice flopped to 'Distant or below-band followers'. The reason first of all was that they have not been able to cut their costs. Vinné sklepy Valtice are in a similar situation – they went down from the group 'Overperformers' towards 'In-band fol-

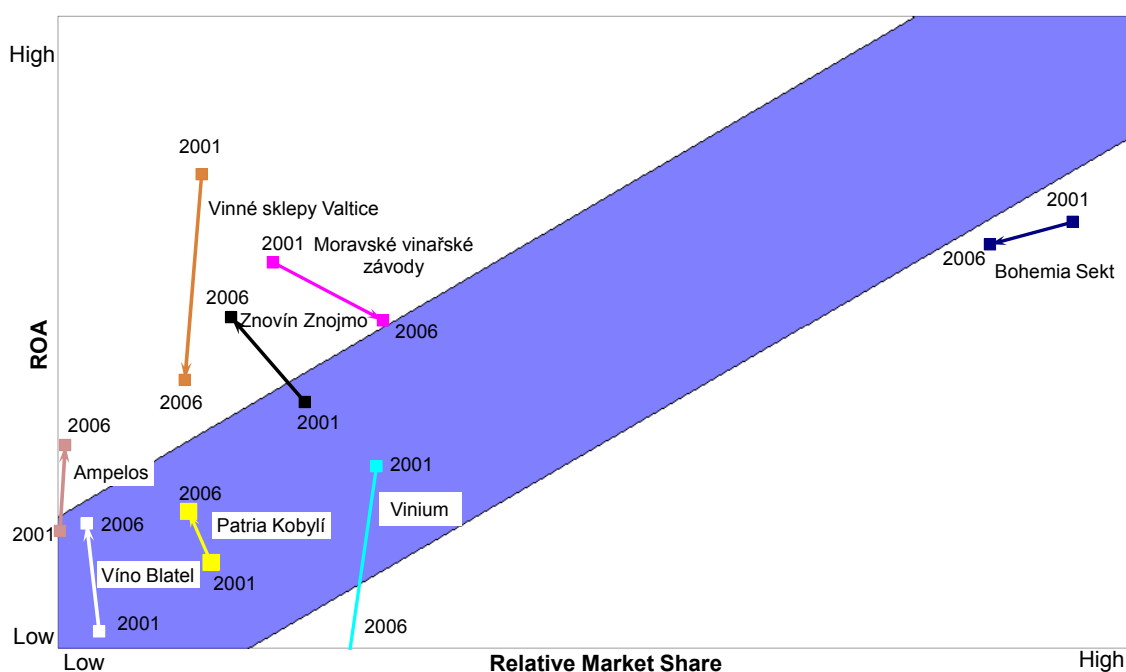


Figure 2. Map of the marketplace of selected Czech wine-producers

Source: Credit info and own calculations and evaluation

lowers'. We can still consider them as Overperformers for the present similar as Znovín Znojmo in 2006. Both of these wine producers should maintain high levels of investment in those fields, which have enabled them to escape the pull of the band; for example in prestigious brand, an innovative technology, loyal customers, etc. (see also Hron et al. 2007).

CONCLUSION

Within the analyzed period we can see some changes in one or both indicators used for the analysis, even though they do not represent major changes and it is possible to say, that majority of businesses kept their position. On the other hand, the most important differences include a decline of ROA in case of Vinné sklepy Valtice and Vinium Velké Pavlovice and an increase of ROA in case of Znovín Znojmo. Moravské vinařské závody Bzenec have gone through an important reengineering process in 2005 and 2006, which projected into some changes. This process brought lower ROA though, but on the other hand it also resulted in a growth of sales and thereby growth of relative market shares.

In 2004 the Czech Republic have entered the European Union, which have influenced many markets, specifically those connected with agriculture, where wine production belongs, as well. General influences connected with European integration related to food products in general were also examined by Ševela (2006), who have come to similar conclusions in terms of expected price and market-structure developments. Therefore it should be also interesting to look at the wine market in the Czech Republic before and after the EU membership, and monitor the development of competitive positions of different wine producers and their possible changes connected with a more intensive competition from abroad. It is possible to conclude that the slight decrease of market shares of majority of the analyzed businesses came as a result of our integration into the EU (see also Pyšný et al. 2007).

Map of the marketplace can be an important input for strategists in their effort to identify their own

position and that of their competitors. It can be used to examine future development scenarios in order to get ready for possible actions of competitors.

On the other hand it still comes from the past events – they tell us, what we have been doing till now, but not so much, what are our chances for tomorrow. And that should be the major concern of strategists, who have to cope with the uncertain future, and prepare actions to succeed in tomorrow's environment. That is why the selected approach, which does not seem to automatically suggest particular actions to be taken, has to be considered a help in decision making. Interpretation of a particular position in the map and its development in time can provide an important input for strategy formulation.

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