JOURNAL

OF

BIO-BASED MARKETING

The Journal of Bio based Marketing©

Research and innovate

The Journal of Bio based Marketing (JBM) provides a forum for academics, researchers, entrepreneurs, young experts, professionals, educators to analyze global aspects of bio-based marketing as a theoretical idea and real business model in value chain of bio-based products. Covering all aspects of knowledge regulation and order including organizational issues, technology support, knowledge representation, transfer of knowledge and knowledge valorization. JBM focus on the following topics:

- Bio-based technologies;
- Bio-based marketing strategies;
- Technology transfer and new business models;
- Policy and regulation of bio-based products
- E-marketing and sales

JBM is indexing in OpenAire.

CONTENT

STRATEGIC ORIENTATION OF BUSINESS ORGANIZATION – STEP BY STEP

Petar Borisov[1], Arberesha Behluli[2]

[1] E-mail: peterborisov@gmail.com, Agricultural University of Plovdiv, bul. "Mendeleev" 12, 4000 Trakiya, Plovdiv, Bulgaria
[2] AAB College, Rr. Elez Berisha, Nr.56 Zona Industriale Fushë Kosovë 10000 Prishtinë Republika e Kosovës

Key words: global strategy, business conditions, SWOT, SOR

I.   Global Strategy of organization

Every business strategy exists to achieve certain objective. The *global objective* of business enterprises is to make new consumers or to create new values for costumers (Drucker). For this purpose, every organization should choose own unique *strategic orientation*, to formulate a *global strategy* and to follow it.
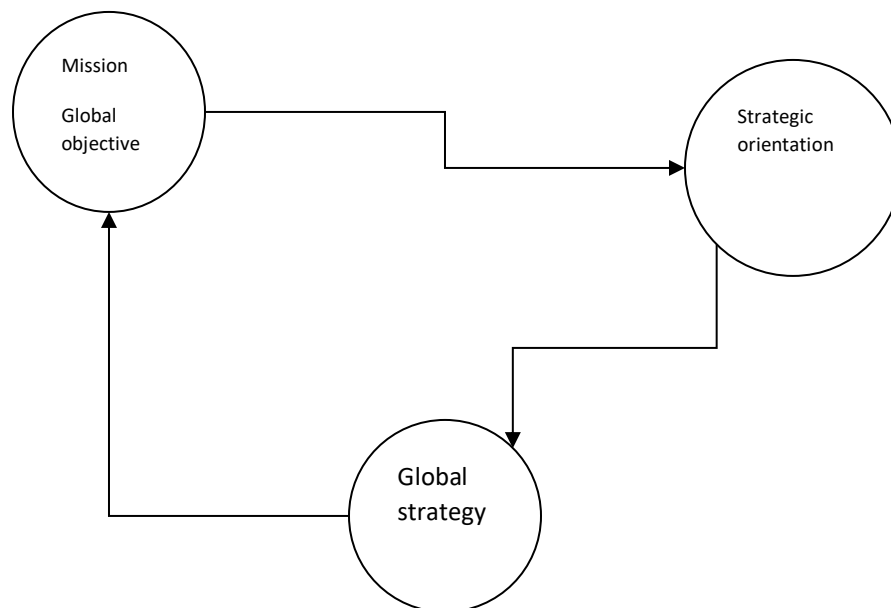

Figure 1. Process of strategic orientation of company /step by step/. Source: Own interpretation.

The global objective /mission/

The mission of business organization is a global objective which has to be accomplished in purpose to succeed in certain *business conditions* (Radev, Borisov, 2009). The mission gives answers of the following questions: Who we are? What we want to do? What is our role in community?

The mission has several components – *competitive advantage, vision* how to use this advantage and *massage* to costumers.

The competitive advantage of organization is something – a feature which helps costumers to recognize the organization among others. The meaning of competitive advantage is more sophisticated. The competitive advantage is dominated by certain *business conditions.* That means an adequate potential of knowledge, recourses, capabilities, experience and motivation to use them in certain *business conditions* which give a unique chance to dominate the market. In contextual meaning of *mission* the business organization has to define her competitive advantage, how she is going to use it and what business ethics will be followed in purpose the give a new value for all potential costumers.

Strategic orientation

Every business organization has to define her <u>strategic focus</u>. That means several strategic objectives which accomplishment leads to accomplishment of *mission.* Strategic orientation of organization can be shown as an *objective tree.* This tree consists the following branches – *mission, strategic objectives, tactical objectives and operational objectives.*

Strategic objectives are long-term objectives which are defined after evaluation of *business conditions.* (Bachev, Ivanov, Radev, and Dung, 2009) These objectives are hard to define and their change is not desired to be happened very often.

Tactical objectives are medium-term objectives which show the business tactics of organization. If the company operates in permanent fast changing *business conditions* these objectives have to be redefine more often (Porter, 2015).

Operative objectives are short-term objectives which are basic for operational management of the company. Their accomplishment leads to successful realized business tactics.

Global strategy

To achieve the mission every business organization has to define own strategic orientation and implemented a global strategy. Strategy means a skill to organize war activities in way lead to total victory. Also that means an action plan to act influenced by your enemy in certain situation. Global strategy of business organization is a plan which gives answer of question - How organization can dominate the market? That means how the organization will define and achieve a competitive advantage; how she uses it in purpose to beat the competition in current business conditions.
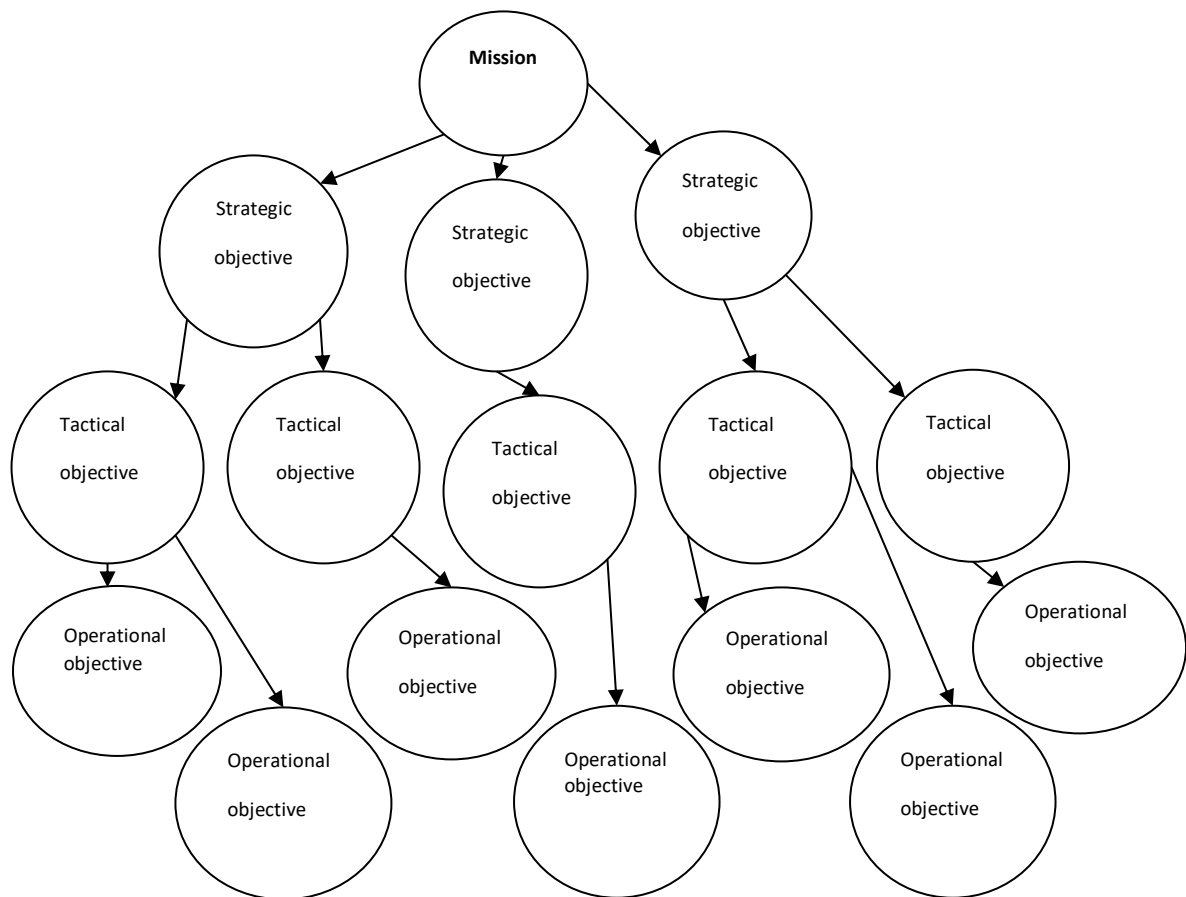
Figure 2. Tree of objectives. Source: Own interpretation.

II.   Business conditions

Every company operates in environment that has the following features: *complexity, uncertainty* and *mutual dependence* of all structural components. Business conditions are combination of factors which counter or benefit the development of company. The basic features of business conditions require system approach for evaluation. It means business condition to be shown as sophistical system which consists of large variety of elements (factors) which mutual dependence and influence is hard to be predicted. The business conditions can be shaped in two layers: *internal and external.* The main criteria for separation of business conditions in these two layers are **degree of control.**

Internal business conditions (all factors controlled by company)

That means the company herself. All factors (elements) of business environment that can be managed by management generate the internal layer. The management is responsible of

organization. The organization (company) looked as manageable environment consist the following factors:

Mission – global goal of company. The process of shaping mission involves several personages – owners of company, managers and personnel. These stakeholders are responsible to negotiate in purpose to give a clear vision of how the business will be developed in future. Using the defined vision, the management is responsible to define a clear and understandable mission of organization. Mission has several functions:

- It can be used as a managing instrument. Leaders of companies who clearly understand the power of mission use it as <u>motivation tool</u>.
- Also it can be used as instrument who expresses the company ethics to all costumers. Mission can be used as tool which gives <u>unique meaning </u>of company activities at consciousness of costumers.

Tree of objectives. It is an instrument (factor) used in process of development of objectives of the company. All objectives are planned by management and they have to be shaped by following principles (SMART) – <u>shortness, measurability, accuracy, ranging and time orientated</u>. That means every objective has to be clearly defined in short meaning, can be measured, accurately defined, committed with other objectives and can be achieved in certain period of time. The operative link of company gives the *operational objectives*. Tactical and strategic links of management define *tactical* and *strategic objectives* of company. All objectives create a tree. Higher tree more objectives have to be achieved in future.

The Organizational structure of company is also an internal element of business conditions. This is the "spinal cord" of company management (Avila, 1997). Organizational structure includes all work places, links, personnel, communications and orders of their dependence at management hierarchy of the company. The organizational structure is shaped by following these steps:

- defining authority of personnel;
- defining all work places of personnel;
- grouping all work places in departments;
- defining the order of following commands in company.

Every company has unique mixture of all of these elements which define her own organizational structure. In theory of strategic management there are several types of organizational structure – *linear* (which can be seen in Army); *linear – headquartered* (which can be seen in governmental departments); *functional* (very often used in large enterprises); *project structure* (can be seen in scientific organizations and innovation sectors); *product-orientated* (used by international companies).The choice of organizational structure should be carefully considered using the following criteria – *mission, global strategy and market conditions.*

Tasks which have to be done in purpose to be achieved all objectives of the company. The different management links of company plane and delegate all tasks. That means to give authority

of same part of the personnel to execute certain task by using company resources in order to achieve an objective. There are long-term and short-term tasks which require some skills of personnel for their accomplishment.

Resources of the company are relatively <u>scarce</u>. That means in certain point every resource of the company is not enough and that fact generates conflicts within. So the management should measure and planned all company resources in an efficiency way. The recourses can be divided in several groups:

- *Natural resources* – water, air, land, biological organisms used in manufacturing and distribution of company products. These resources can be restored and should be used in extreme caution;
- *Material resources* – materials, raw-materials and inputs used in manufacturing and logistic;
- *Financial resources* – all finance of the company. All activities require funds and financial instruments to obtain them;
- *Innovations* – they are unique recourses of the company which consists of new technologies, processes and products. To create an innovation, the company management has to apply a new kind of thinking how to make business;
- *Entrepreneurship* – this is the most important resource of every company. Without its involvement in manufacturing all other resources are only a potential but not a productive system. Entrepreneurship means to take reasonable risk to invest in certain activity in purpose to gain profit.
- *Motivation of personnel.* The management is responsible for any degree of motivation of the personnel. Highly motivated personnel are a basic for successful obtained competitive advantage.
- *Leadership.* Leadership means how management does his work. The management has to lead the company to success. Leadership of the management is influenced by: internal and external factors. Internal factors are dominated and there are: type of personality of leader; his ethics, education, experience and intuition. External factors are: group dynamics – number of employees, managed by leader; formal and non formal communications in groups of employees, communications with other leaders.

External environment

Factors with *direct influence*:

- owners of company
- costumers;
- partners;
- competitors;
- market conditions;
- rules of government.

Factors with *indirect influence:*

- economic and political conditions;
- way of life;
- research and development;
- global market condition

Internal environment
(company)
- mission
- objectives
- organizational structure
- motivation
- tasks
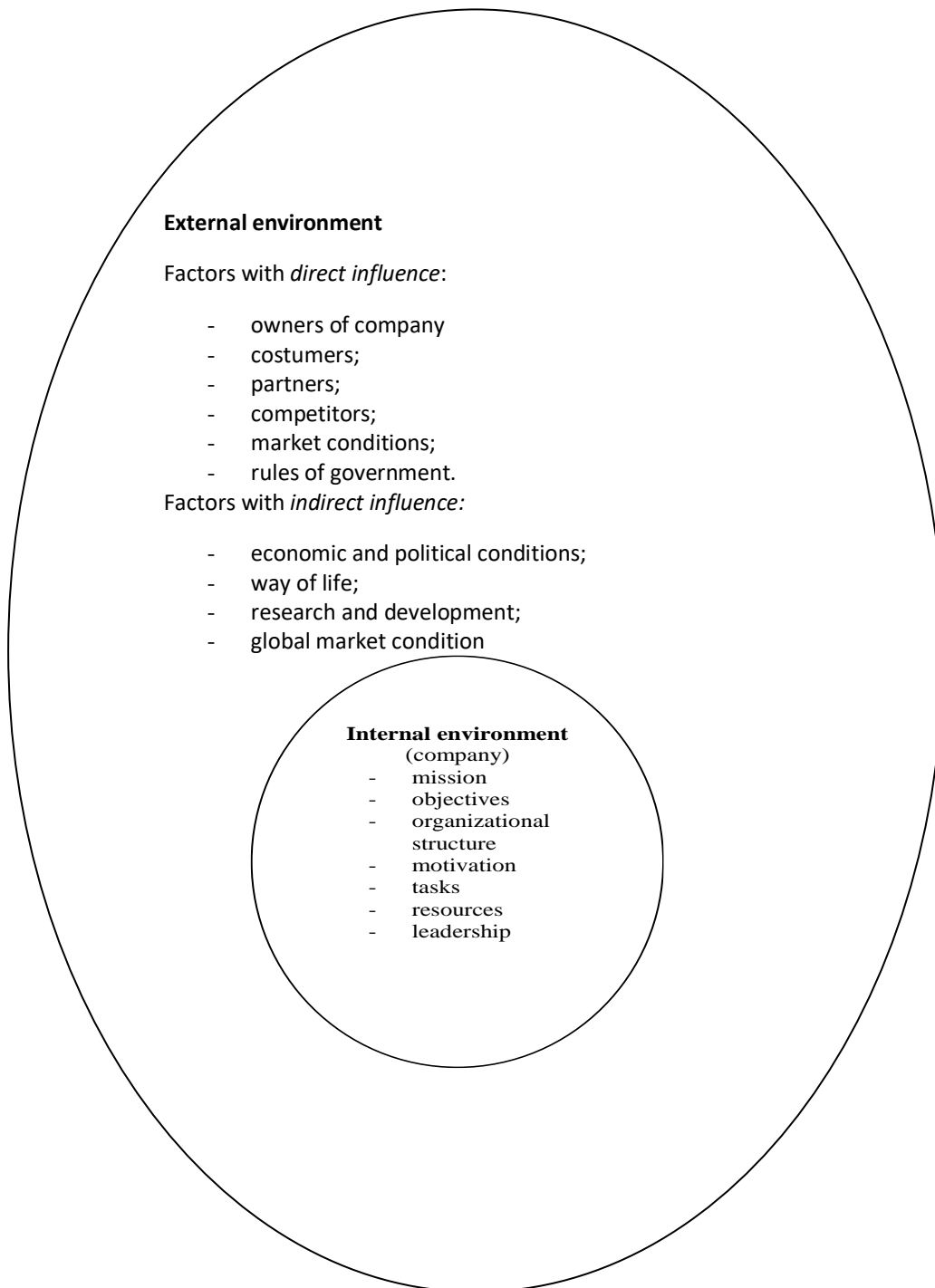- resources
- leadership

Figure 3. Business conditions – layers. Source: Own interpretation.

External businesses condition

All factors (elements) of business environment which cannot be managed by company generate the external layer. This layer is plenty of factors which have different influence on company activities and also different dependence. This variety of factors requires dividing the external layer into two sectors called: sector with **direct influence** and **indirect influence** on company activities.

Factors with direct influence on company. These are all factors which react with company immediately after impact. Who they are depends on what kind of company is managed. In generally all factors with direct influence are:

- *Owners of company.* Their decisions directly influence the management of the company.
- *Costumers* have serous influence on every activity of the company. The costumers are these personages who evaluates how successful is the company at current market conditions.
- *Competitors* are those factors that make company to improve all activates done by her.
- *Company partners.* These are all persons, companies and other type of organizations who lobby for company interests.
- *Market condition.* All markets are characterized by – demand, supply and competition. These forces define what does the market conditions are at the moment.
- *Government* which regulates the business sector has direct influence on company. Government defines the rules of the game but the company has to follow them.

Factors with indirect influence on company. These factors have long-term influence on the company and often take time to show their influence. Such factors are:
- Transnational, National and Local economic and political situation at which company operates;
- Way of life of costumers (that includes): religion, ethics, social status, age, point of view for the future and extra;
- Research and development of the sector in which company operates in global and local aspect;
- Tendency on global market (demand, supply and competition).

III. Analysis of business conditions

The main feature of business environment is *complexity.* The *system approach* is the most suitable for examination of business environment. That means to investigate the object shown as a system of several elements (factors) which collaborate with other systems part of external environment. One of the most popular methods of analysis of business conditions is **SWOT**. The basic idea is to investigate and define four features of company which have significant importance for her success in future. SWOT means: S → strengths; W → weaknesses; O → opportunities; T → threats.

S (strengths) → these are all activities of company which she executes better than her basic competitors.

W (weaknesses) → these are all activities of company which are executed worst than her competitors.

O (opportunities) → all factors of business environment who give chance for success of the company.

T (threats) → all factors of business environment which influence are fatal for company.

SWOT may execute in two stapes called – ***internal audit and external audit***

SWOT → INTERNAL AUDIT + EXTERNAL AUDIT

INTERNAL AUDIT evaluate Internal environment (company)→ Result: **define all S and W.**

EXTERNAL AUDIT evaluate External environment → Results: **define all O and T.**

III. 1. Internal audit

Internal audit means to evaluate all significant factors of *internal business environment* which are the company herself. In result there will be defined all **S** and **W** of the company for certain period of time. All **S** and **W** are results of management of the organization and they <u>can be changed</u>. There are several approaches for evaluation of the company – *functional approach and" chain of values"*.

Functional approach

Company which operates on the market execute several activities which can be divided by functional feature as – **manufacturing; financial activities; marketing; logistics; management of personnel; innovation and R&D activities.**

- Marketing (evaluation)

In market orientated economy the first and lead link is marketing department of the company. All marketing activities are the most important subject of evaluation. There are number of elements which are vital to be evaluated as:

- Products and services of the company; diversification or specialization of company;
- Rate of concentration of sales by products or costumers;
- Opportunities for gathering market information;
- Market share – tangency and value;
- Potential for grow of sales;
- Value added by products and services;
- Distribution channels – number, range and control;

- Efficiency of sales;
- Reputation, quality of products and services provided by company;
- Efficiency of branding;
- Price strategy;
- Level of costumer loyalty;
- Efficiency of marketing budget. ROI – rent ability of investments, ROS – rent ability of sales, ROE – rent ability of equity.

- • Finance (evaluation)
- Opportunities for gathering short-term and long-term capital;
- Ratio – debt/equity;
- Liquidity;
- Value and structure of all company funds;
- Capital expenditures – value and structure;
- Expenditures for expansion on new markets;
- Ratio – price/ cost-price; ratio – price/profit;
- Investments – structure and value;
- Rent ability of investments;
- Return of own capital;
- Efficiency of investments – net present value; benefit cost ratio; profitability and pay back period.

- • Costs and revenues (evaluation)
- Expenditures for investment process;
- Structure of manufacturing costs; ratio – variable to fixed costs;
- Value and structure of variable and fixed costs;
- Value and structure of transitional costs – contracting and act;
- Cost-price structure;
- Break even point;
- Efficiency of cost control;
- Efficiency of costs;
- Opportunities for reduce all costs;
- Degree of substitution of costs;
- Value and structure of revenues by products and services;
- Efficiency of sales;
- Efficiency of revenues;
- Degree of differentiation of revenues.

- • Manufacturing (evaluation):
- Accessibility to raw materials, stocks and services required by manufactory;
- Material and labor costs;

- System of control of all company stocks;
- Economy of scale;
- Efficiency of technology and innovation;
- Degree of vertical aggregation of manufacturing;
- Value added by products;
- Efficiency of equipment;
- Labor efficiency – experience, technical competence of personnel, productivity of equipment.

- Research and development (evaluation):
- Evaluation and selection of R&D personnel;
- Motivation of personnel;
- Labor conditions;
- Instruments of stimulation and motivation of R&D personnel;
- Labor efficiency;
- Investment in human capital;
- Experience and qualification of personnel;
- Conflicts and changes of R&D stuff;
- Value of R&D expenditures;
- Capitalization of R&D products;
- Number of successful innovations;
- Efficiency of R&D costs;
- Knowledge tanks and efficiency of knowledge;
- Efficiency of investments in innovation.

- Management of personnel (evaluation):
- Type of organizational structure – efficiency;
- Reputation and respect of the company;
- Achievement of objectives;
- Communications – structure, links, chain of commands in every department;
- Make decision process;
- Strategic planning system;
- Motivation;
- Labor efficiency;
- Work conditions;
- Way of payment and career;
- Investment in human capital;
- Change of teams and personnel;
- Leadership;
- Evaluation and selection of personnel;
- Team building.

Approach "***Chain of values"***

The company can achieve competitive advantage by reorganize her basic activities. Using this approach, the company can be viewed as link which is a part of chain called "*chain of values".* The chain shows how is organized the manufacturing and distribution of certain product or service. Company can embrace the whole chain or several links in purpose to make profit in certain market conditions. To achieve the objective all company activities can be divided into two groups called – *basic and supportive activities.*

The basic activities include creation of the product, distribution and after sale services. Using this approach basic activity is:

- Supply of raw materials, stocks and services;
- Manufacturing;
- Placement and storage of manufactured production;
- Marketing and sales;
- After sale services.

Supportive activities:

- Supply;
- Research and development;
- Management of personnel;
- Infrastructure of company.

After execution of internal audit all **S** and **W** are defined and management can go further at company analysis.

III.   2. External audit

External audit evaluates all factors of external environment that have significant influence on company. After execution of audit the management can define all **O** and **T** in front of company. Opportunities and threats are coming from external environment and cannot be managed by company. Their evaluation is vital because the management must adapt company behavior in respond of them. One of the most popular approaches is **PEST – analysis**. That means to be evaluated four key factors of external environment (which are):

P – Evaluation of policy in country where is localized the company or market of company products and services**;**

E – Evaluation of economy conditions for doing business**;**

S – evaluation of society – what is the way of live of potential costumers – religion, culture, point of view**;**

T – Evaluation of technical development of competitors and company**.**

There are a large variety of factors, elements of external environment. Every audit requires time and funds. Every company is unique and operates at unique business conditions. For these

reasons company management can use **Expert approach** to evaluate the external environment. This approach includes evaluation of direct influence of all factors which are part of external environment. To execute such an analysis, the company has to involve in evaluation process real experts. These experts must know which key factors are significant for the success of company.

In result of external audit, the management can define all **O** and **T** in front of company.

IV. Strategic orientation

All **S, W, O and T** as results of executed Internal and External audit are arranged in matrix called **SWOT – matrix.**

The SWOT – matrix is basic tool for definition of strategic orientation of company. To be precise tool, the matrix should be composing by following several principles:

- The elements have to be **competent distributed**. Competence distribution of all elements **S, W, O, T** in every quadrant of matrix.
- All elements (S, W, O, T) should be ranging by **level of significance**. On fist place should be the most important S, W, O or T.
- The number of elements in the matrix should be **minimized** in order to improve the process of strategy implementation;
- The number of elements in every quadrant of matrix should be **equal.**

Evaluation of internal conditions	Evaluation of external conditions
S1	O1
S2	O2
S3	O3
Sn	On
W1	T1
W2	T2
W3	T3
Wn	Tn

n = 1,2,3.....n

Figure 4. SWOT matrix. Source: Own interpretation

The SWOT – matrix is used as basic tool for development of strategic goals of the company and her global strategy. This matrix is input of **SOR – analysis (**strategic orientation analysis). SOR means:

S → strengths of company

O → opportunities

R → roadblocks

These three key factors are important for future success of the company. The basic idea in SOR – analysis: if you have some strengths you should grasps every opportunity in front of you and do not lose time to improve your weaknesses.

> **SWOT →** gives answer of the question: **Where is the company at the moment?**
>
> **SOR →** gives answer of the question: **Where will be the company in the future?**

To execute competent SOR – analysis the company should develop and use the results in **SWOT – matrix** (see fig.5 and fig. 6). That means SOR – analysis is an evaluation of how strong is dependence of all elements (S, W, O, T) viewed on the SWOT – matrix.

There are four types of dependence which have to be evaluated:

(1) S → O: How this strength (S) can help company to grasp the opportunity (O)? Management of company should evaluate is there any dependence between these two elements and how strong is she?

(2) W →O: How this weakness (W) can prevent to grasp the opportunity (O)? Management of company evaluate is there any dependence between these two elements and how strong is she?

(3) S → T: How this strength (S) can help company to defense herself from certain threat (T)?

(4) W →T: How this weakness can prevent company to defense herself from certain threat (T)?

In every common company there are four types of stakeholders – *owners; managers; personnel; partners.* Every stakeholder should be involved in voting process. The main goal is to use votes to express how strong is the dependence of S, W, O, T.

The voting is crucial step of SOR – analysis. The stakeholders who play role of experts voting (evaluate the dependence between elements in SWOT matrix) by using **4-degree voting range:**

0 – there is no dependence between elements

1 – there is some dependence between elements

2 – there is strong dependence between elements

3 – there is significant dependence between elements

All votes of experts (stakeholders) are given into document called **SOR – matrix**.

Every expert fills in separately SOR – matrix (see fig. 5). Finally all votes are aggregate in one SOR – matrix (see fig. 6) which gives the aggregate opinion of all experts. More experts involved in voting process more objective will be the result.

		Opportunities					Threats				
		Short descript. O1	Short descript. O2	Short descript. O3	Short descript. O4	Short descript. O5	Short descript. T1	Short descript. T2	Short descript. T3	Short descript. T4	Short descript. T5
Strengths	Short descript. S1	3			3	3	3				
	Short descript. S2		2		3		2		3		2
	Short descript. S3	1	3	2	3			1	1	2	
	Short descript. S4		2			2	2	1	3		
	Short descript. S5	3	1		2	1	1	1	2	2	
Weaknesses	Short descript. W1		2								
	Short descript. W2	2	1	3		3		2			1
	Short descript. W3	1	1				1		3		
	Short descript. W4				1					2	
	Short descript. W5	2					1				
Tot.		12	11	7	12	9	10	5	12	6	3

0 – there is no dependence between elements

1 – there is some dependence between elements

2 – there is strong dependence between elements

3 – there is significant dependence between elements

Figure 5. SOR – matrix filled by individual expert. Source: Methodological approach of project "EU-Balkan vegetables" funded by 6th frame work program.

		Opportunities					Threats					Tot.
		Short descript. O1	Short descript. O2	Short descript. O3	Short descript. O4	Short descript. O5	Short descript. T1	Short descript. T2	Short descript. T3	Short descript. T4	Short descript. T5	
Strengths	Short descript. S1	26	5	5	26	15	23		7	15	9	131
	Short descript. S2	8	20	5	15	21	2		6			77
	Short descript. S3	24	25	8	24	2	15	10	5	25	20	158
	Short descript. S4	12	3	12	8	6	19	2	28	1	10	101
	Short descript. S5	10	7	10	16		4	11	7	19	1	85
Weaknesses	Short descript. W1	3	9	5	10	6	10	6	6	20		75
	Short descript. W2	22	6	15	4	20	10	2	5	1	6	91
	Short descript. W3	10	12	3		8	6	18	29	3		89
	Short descript. W4		8	7	11		5		9		4	44
	Short descript. W5		5	10		2	4	1	8		2	32
Tot.		115	100	80	114	80	98	50	110	84	52	883

Attack: 313   Defence: 239   Clean ship: 176   Crisis: 155

Figure 6. Aggregate SOR – matrix (10 experts). Source: Methodological approach of project "EU-Balkan vegetables" funded by 6th frame work program.

What does the results of Aggregate SOR – matrix show?

1) **Which opportunities are most attractive?**

These opportunities that have the highest voting given by experts are the most attractive. As the example shows these are **O1** with score 115 and **O4** with score 114.

2) **Which threats are crucial?**

T3 with highest score – 110 and **T4** with score 98.

3) **Which strengths and weaknesses are the most important?**

The voting of experts shows the most important strengths of company are: **S3** with score 158 and **S4** with score 131. The most important weaknesses of the company are: **W2** with score 91 and **W3** with score 89.

4) **Which are the strategic objectives of the company?**

Using votes, the management of the company easy can define who will be the strategic focus of the company (strategic objectives)

Every strategic objective is defined by using three elements – S, O, R

S – Strengths; O – Opportunity and R – Roadblocks (significant Threats and Weaknesses of the company)

As the example shows O1 and O4 are the most attractive opportunities in front of the company.

These opportunities can be grasp by using the following strengths – S1 with highest score – 26 and S3 with score 24. (see in fig. 6 column O1 and column O4)

The most significant Threats are T3 and T1. T3 can be defeated by using S4 (this strength is voted by experts with the highest score – 28). T1 can be defeated by using S1 (with highest score 23). If company want to succeed she has to improve the following weaknesses which are roadblocks – W2 with highest score 22 (see column O1) and W4 with score 11(see column O4).

5) **Whit kind of global strategy should company follow to achieve her strategic goals and mission?**

The sum of votes in every quadrant of Aggregate SOR – matrix gives the answer. The highest score points the type of global strategy of the company. As example shows the global strategy of the company is to **ATTACK** (the sum of votes given by all experts in this quadrant are the highest - 313). "ATTACK – strategy" means to use all your strengths to grasp the most attractive opportunities in front of you.

"DEFENCE – strategy" means to defense yourself by using all your strengths and after that to grasp the opportunities in front of you.

"CLEAN SHIP – strategy" means company should reorganize her activities in order to gain higher efficiency. The company should choose manufacturing and distribution of new products and services or to adopt new technologies to create a competitive advantage in certain conditions.

"CRISIS – strategy" means to close all enterprises which are not profitable and to minimize all costs; to shut down all activities of company. The purpose is to minimize all costs and to pull back all products and services from market.

The aggregate SOR – matrix (see fig. 6) gives the following outcomes – **strategic objectives** and **global strategy** of the company. After defining of all strategic objectives company management can easy develop *The Objective tree.*

References

Drucker, P. (2016). Management by objectives". The Economist. ISSN 0013-0613. Retrieved 2016-04-27.

Borisov, P.,T. Radev (2009). Business Planning. Letera, Plovdiv, 2009. p. 214.

Drucker, P. (2016). Management by objectives". The Economist. ISSN 0013-0613. Retrieved 2016-04-27.

Bachev, H., B. Ivanov, T. Radev, N. Dung (2009). Comparative Analysis of Agricultural Policy of Bulgaria and Vietnam (December 25, 2009). Available at SSRN: https://ssrn.com/abstract=1528144or http://dx.doi.org/10.2139/ssrn.1528144

Porter, M.E. & Heppelmann, J.E. (2015) "How Smart, Connected Products are Transforming Companies", Harvard Business Review, October 2015, pp 97—114

Avila, H. Evaluating the Competitive Position of an Industrial Firm, The George Washington University, Washington D.C. 1997

PROFILING THE DRIVERS OF MARKET POWER OF WINERIES. THE CASE OF SOUTHERN BULGARIA

Petar Borisov[1], Teodor Radev[1]

[1]E-mail: peterborisov@gmail.com,Agricultural University of Plovdiv, bul. "Mendeleev" 12, 4000 Trakiya, Plovdiv, Bulgaria

Abstract

During last decade the competition on wine market of Europe is going higher. This is a result from regulation of wine industry under common agricultural policy of European Union. In such market condition the leading role of all departments in every winery is marketing unit. The purpose of this research is to be estimated the influence of scale of equity and strategic marketing activities on market power of winery. Using statistical approach is verifying the basic thesis concerning the basic factors which define the market power in wine sector. The statistical analysis is developed in two stages - 1) influence the scale of equity and assets on market share and 2) influence of strategic marketing activates on market share. It can be concluded that the studied factors affecting the market power of wine enterprises. The great variety of the offered product range on the market shows that wine enterprises pursue an active product policy. The other elements of the marketing mix are not so important.

Keywords: market power, concentration of capital, marketing activities, market share, equity, assets wine enterprises

Abstrakt

Während des letzten Jahrzehnts wird der Wettbewerb auf dem europäischen Weinmarkt immer stärker. Dies ist ein Ergebnis der Regulierung der Weinindustrie im Rahmen der Gemeinsamen Agrarpolitik der Europäischen Union. In solchen Marktbedingungen ist die führende Rolle aller Abteilungen in jeder Weinkellerei die Vermarktungseinheit. Der Zweck dieser Forschung ist es, den Einfluss des Umfangs der Equity und der strategischen Marketingaktivitäten auf die Marktmacht der Weinkellerei zu bewerten. Mit Hilfe des statistischen Ansatzes wird die Grundthese über die grundlegenden Faktoren, die die Marktmacht im Weinsektor definieren, überprüft. Die statistische Analyse wird in zwei Etappen entwickelt - 1) Einfluss des Umfangs von Eigenkapital und Aktiva auf den Marktanteil und 2) Einfluss der strategischen Marketingaktivitäten auf den Marktanteil. Es kann geschlossen werden, dass die untersuchten Faktoren die Marktmacht der Weinunternehmen beeinflussen. Die große Vielfalt der angebotenen Produktpalette auf dem Markt zeigt, dass die Weinunternehmen eine aktive Produktpolitik verfolgen. Die anderen Elemente des Marketing-Mixes sind nicht so wichtig.

Stichworte: Marktmacht, Kapitalkonzentration, Marketingaktivitäten, Marktanteil, Eigenkapital, Aktiva Weinunternehmen

Résumé

Au cours de la dernière décennie, la concurrence sur le marché du vin en Europe s'est accrue. Ceci est le résultat de la réglementation de l'industrie du vin dans le cadre de la politique agricole commune de l'Union européenne. Dans ces conditions de marché, le rôle principal de tous les départements de chaque cave est l'unité de commercialisation. L'objectif de cette recherche est d'estimer l'influence de l'échelle des capitaux propres et des activités de marketing stratégique sur le pouvoir de marché des caves. L'utilisation de l'approche statistique permet de vérifier la thèse de base concernant les facteurs fondamentaux qui définissent le pouvoir de marché dans le secteur viticole. L'analyse statistique est développée en deux étapes - 1) l'influence de l'échelle des capitaux propres et des actifs sur la part de marché et 2) l'influence des activités de marketing stratégique sur la part de marché. On peut conclure que les facteurs étudiés affectant le pouvoir de marché des entreprises du secteur vitivinicole. La grande variété de la gamme de produits proposés sur le marché montre que les entreprises vitivinicoles mènent une politique de produit active. Les autres éléments du marketing mix ne sont pas aussi importants.

Mots clés: pouvoir de marché, concentration de capital, activités de marketing, part de marché, capitaux propres, actifs entreprises viticoles

ntroduction

In recent years the European wine market is determined by strong competition due to accumulated surpluses resulting from the impact of agricultural policy in the sector. This determines the leading unit in each wine company is marketing department. The increase in market power requires diversity in the enterprise, which complicate its management. This begs the question what is the impact of company size on market power and efficiency. According to research of (Lipsey, 1987); (Kirpalani, 1987); (Armstrong, Collopy, 1996); (Bloodgood, Katz, 2004), (Borisov and Marinov, 2013) there is a direct correlation between the amount of capital invested in the enterprise and its market power. Key factors for the increase in market power that management can use are: (1) cost leadership and (2) product differentiation. Larger enterprises have the opportunity to accumulate substantial financial capital through the issuance and sale of shares, which is a prerequisite for building large-sized production facilities, enabling the realization of economies of scale, and hence the price leadership (Borisov, Radev and Dimitrova, 2014). These businesses have clearly developed organizational and management structure, which identifies and marketing departments are saturated with capital defining higher fixed costs that make them inert and less adaptable to changes in market demand. Enterprises that do not have large financial capital achieve higher market power relying on product differentiation. These organizations do not concentrate significant capital, which gives them the advantage of being more adaptable to market demands than the big ones in the industry.

The purpose of this study is to analyze and assess the impact of the size of capital and executing strategic marketing activities on the market power of wine enterprises in southern Bulgaria in the production and marketing of wine.

We define a system of indicators by which to analyze and assess the market power of the wine cellars. This system includes two groups of indicators - drivers and performance indicators:

- *Drivers* - determine the potential of the wine company to increase its market power in the industry. As such are determined: total assets, the amount of equity available to marketing departments and viability of strategic marketing activities.

- *Performance indicators* - they are those that determine the achieved degree of market power in the wine business. They are also used as a tool for comparative analysis of different size and organization of wine businesses. As such, the most often used is the market share (Pride, McKee, 1989). The market share of surveyed enterprises is calculated based on sales of wine in the domestic market.

Through statistical hypothesis testing we prove or reject the basic hypothesis explaining the dependence of the factors of market power. The conceptual argument to be checked for authenticity is that the concentration of capital in the wine compay and execution of strategic marketing activities determine the market power in the industry. The analysis of the accuracy of the conceptual hypothesis proceeds in two successive stages:

Stage (1) Assessing the impact of the degree of concentration of capital in the wine company on its market power. For making this evaluation we usie the following indicators - assets and size of equity. (Bloodgood, Katz, 2004).

Verifying the accuracy of the conceptual view is carried out using the statistical method - a simple correlation between the two factors.

The following statistical hypotheses are rised for verification:

H^{01} - there is no statistically significant correlation between the driver "assets" and the performance indicator "market share";

H^{11} - there is statistically significant correlation between the driver "assets" and performance indicator "market share";

H^{02} - there is no statistically significant correlation between the driver "amount of equity" and the performance indicator "market share";

H^{12} - there is statistically significant correlation between the driver "amount of equity" and the performance indicator "market share".

Stage (2) Evaluation of the impact of strategic marketing activities on the market power of the wine company. The main activities are presented in Table. 1. In conducting the analysis, strategic marketing activities are defined as drivers and achieved market share as performance indicator. The corellation between drivers and performance indicators are tested by applying the χ2-analysis.

For the purposes of the the analysis we use data from official accounting records of wineries (for the period 2018-2019) - balance sheet, plan income and expenditure plan, statement of cash flows and conducted own survey performed on marketing activities. There were examined 55 wine enterprises in southern Bulgaria. Data processing and analyzing the correlation between factors of market power are performed with SPSS software and MS Excel.
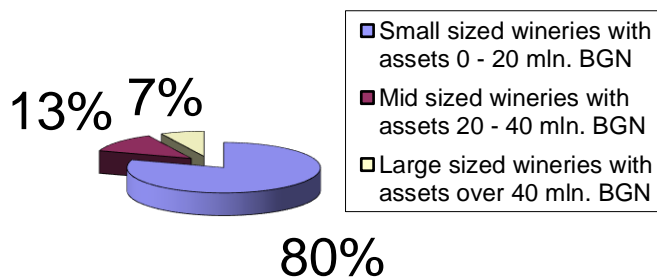
Table 1. Strategic marketing activities. Source: own interpretation

Strategic marketing activities
Clear definition of mission of organization
Sharing the mission between employees in organization
Segmentation of market
Development of target groups
Development of marketing mix for every single target group
Establishment of marketing information system
Execution of audit of external business conditions
Defining marketing goals in written form
Commitment of market goals with output of strategic audit
Clearly defined marketing strategy
Using competitive advantage as basic tool for development of marketing strategy
Coordination of marketing strategy with other functional strategies of organization
Financial cover of marketing strategy
Clearly distributed responsibilities between employees on execution of marketing strategy
Development of control system

Results

Corellation between the degree of concentration of capital and achieved market power. The characteristic of the studied group of objects shows that the majority of wine companies are joint-stock companies - 58% of total entities. The next preferred legal form is the sole limited liability company - 20% of the surveyed enterprises in the sector. At least many are wine businesses that are sole joint stock companies - 4% of total surveyed companies. The structure of the sample showed that the preferred form of raising capital in the industry is a joint stock company.

Figure 1. Distribution of wineries according to their assets. Source: own survey, 2018-2019

13% 7%

80%

Small sized wineries with assets 0 - 20 mln. BGN

Mid sized wineries with assets 20 - 40 mln. BGN

Large sized wineries with assets over 40 mln. BGN

There is a domination of small wine companies with assets up to 20 million BGN - 80% of the surveyed entities. Next major group is the medium-sized enterprises (13%) who own assets up to 40 million BGN. Only 7% of the surveyed enterprises are defined as large, with assets over 40 million BGN. The results from survey showsthat 4% of all wine enterprises possess 32% of the assets in the industry. These businesses entities holds together - 64% fo the market. This tendency sets a strong concentration of capital in few wine companies that serve a significant share of the domestic wine market.

Table 2. Descriptive statistics of surveyed wineries

Statistic indicator	Assets 000 BGN	Equity 000 BGN
Min	5	3
Max	169 750	64283
Range	169 745	64,280
Sum	904 521	316 854
Mean	16445.8	5760.98
Standart deviation	30138.2	12450.35
Coefficient of variation - %	183	216

The total assets of the surveyed wine companies are 904.5 million BGN and average amount of assets per company is 16 million BGN. The coefficient of variation (183%) showed that the study group of enterprise is heterogeneous. The average amount of equity per wine enterprise is 5.8 million BGN. The wine sector varies widely depending on the amount of equity that have invested in signle business entity, respectively coefficient of variation is 216%. The higher average value of the indicator – "the amount of equity" comparer to the indicator – "total assets" shows that overall wine enterprises acquire its assets using mostly equity.

On Figures 2 and 3 is given the correlation among the drivers and performance indicators of surveyed wine companies

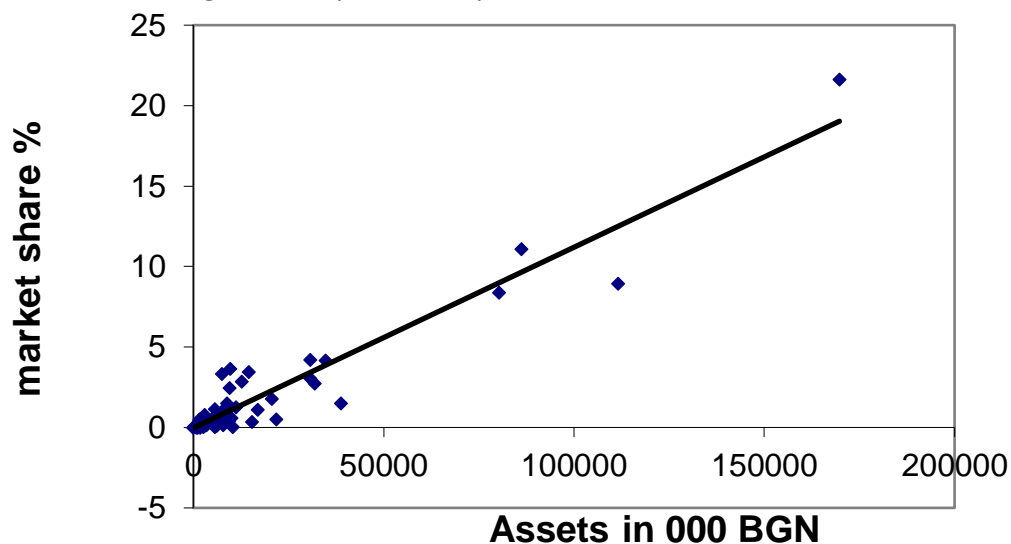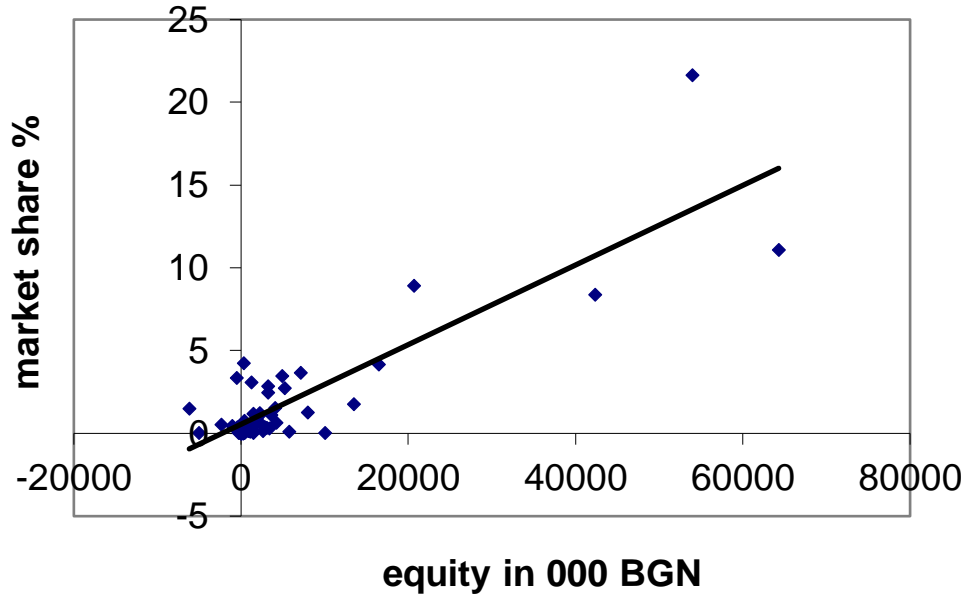**Figure 2.** Graphic interception between assets and market share

Figure 3. Graphic interception between equity and market share

It was found that there is a very high degree of correlation between the driver "assets" and performing idicator "market share". The coefficient of determination is 0.91, while the correlation 0.95. This proves that the amount of assets is a factor that strongly influences and determines the size of the market share of wine companies in the sector.

Equity now also systematically influence the formation of market share. The coefficient of determination in this dependence was 0.74. The correlation coefficient indicates greater dependence between the studied factors, respectively value is 0.86.

Both studied factors have rights relating to market share. With the increase in assets and the amount of equity ceteris paribus increases market share studied wine businesses. According to the value of beta regression coefficient (B1) climate resultant value market share caused by the change in size of assets and equity in the industry is as follows:

- o an increase in assets 1 000 BGN is achieved change in the market share of 0.95%;
- o to increase the amount of equity in 1000 BGN is achieved the market share of 0.84%.

Table 3. Results of statistical analysis of basic factors which define market share

Factors which are drivers	Assets	Equity
Multiple R	0.9524	0.8593
R square	0.9071	0.7386
Adjusted R Square	0.9054	0.7336
Degree of relevance	very strong	strong
Type of relevance	positive	positive
Regression coefficient b0	-0.02824729	0.553235
Regression coefficient b1	0.000112273	0.000241
Beta coefficient B1	0.952442307	0.842932134

Influence of strategic marketing activities on the market power. Wine companies are grouped into three groups (with decreased market share, with constant market share, with an increased market share). In the period it found that 22 enterprises have increased their market share in other 16 there is no change, and 17 enterprises decreased their market share.

Through the resulting frequency of distributions, using χ2-analysis to reveal those activities which have not accidental (objective) correlation with performance indicator "market share". The results of χ2-analysis are presented in Table 3. The significance level of alpha-value is α = 0,05.

Based on the results of the statistical analysis found that the implementation of strategic marketing activities with the exception of one of them (a clearly defined mission) results on the company's market share. The analysis confirms the research thesis that strategic marketing activities are a significant factor in the management of market share.

Table 4. Statistical clusters according to achieved market share and accomplishment of marketing activities

Strategic marketing activities	Market share	Kramer's coeficient
Does the company have a marketing information system?	there is relevance	0.5465
Does the company do an external audit?	there is relevance	0.5465
Does the company clearly define the mission?	there is no relevance	_
Are your employees are familiar with the mission and give it support?	there is relevance	0.2098
Does the company make segmentation of the market?	there is relevance	0.6875
Do you know the specific features of every target group?	there is relevance	0.6072
Do you do a specific marketing mix for every target group?	there is relevance	0.6072
Do you have in written form the marketing goals?	there is relevance	0.4015
Does your company develop a strategic plan in written form?	there is relevance	0.1827
Does your company have defined marketing strategy for achievement of market goals?	there is relevance	0.4315
Does your company use competitive advantage as a basic tool for development of marketing strategy?	there is relevance	0.4233
Does your company coordinate the marketing strategy with other functional strategies?	there is relevance	0.4233
Does your company manage financial recourses for execution of marketing strategy?	there is relevance	0.4233
Is it clear all responsibilities of every one in the company according execution of marketing strategy?	there is relevance	0.3645
Does your company have a control system which monitors the execution of marketing strategy?	there is relevance	0.6724

The strength of established statistical dependencies measured by the coefficient of Kramer. The results show that only part of the strategic marketing activities (6 of them, see table 4) have sufficient relevance to the market share. Strength of the relationship is significant (V2> 0,5). These marketing

activities are: (1) The building control system of marketing strategy; (2) Analysis of the external environment; (3) Market segmentation; (4) Developing a profile of the segment; (5) Development of specific marketing mix for each target segment; (6) The existence of a system for monitoring the implementation of marketing strategy.

Conclusions

It can be concluded that the studied drivers are strongly affecting the market power of wine enterprises. The great variety of the offered product range on the market shows that wine enterprises pursue an active product policy. The other elements of the marketing mix od wine company are not so important. The forecast is that in the future the wineries have to maintain market positions in industry will increasingly rely on the implementation of strategic marketing activities. For this purpose, all elements of the marketing mix will be important to be developed. This will require the allocation of more financial funds.

Based on statistical analysis we can made the following conclusions to achieve greater efficiency in wine sector:

- The sector distributed corporate organizational forms, allowing for wider attracting financial capital and full implementation of marketing activities. The structure of enterprises in business-legal form is explained by the significant investment required to enter the sector;
- There is a strong dual structure of the industry in terms of size of assets and market share.
- The amount of assets defines the market power of wine companies, taking into account investments to improve the condition of the technological equipment and buildings. As a result, enterprises successfully meet the requirements of the market. There is steady increase of sensitivity to the quality of products among wineries, and also sharpened competition in recent years;
- Although companies use different forms of financing equity occupies a leading position which gives a high degree of financial independence. And at the same time is an important factor for the growth of their market power;

References

Armstrong, JS, Collopy, F. (1996). Competitor orientation: Effects of objectives and information on managerial decisions and profitability. Journal of Marketing research, 33.

Bloodgood, J., Katz, JP (2004) Manufacturing capacity, market share and competitiveness. Competitiveness Review vol. 14, 1-2.

Borisov, P., and P. Marinov (2013). Analysis of the sources of competitive advantage of the wine cluster. Scientific Papers of Agricultural University - Plovdiv, Volume LVII, pp. 151-158.

Borisov, P., T. Radev, D. Dimitrova (2014). Comparative advantages of EU Member States in Trade with Wine. Икономика и управление на селското стопанство, бр. 4/2014, София, стр. 59-65.

Kirpalani, VH, Balcome, D. (1987). International marketing success: On conducting more relevant research. Managing Export Entry and Expansion, NY.

Lipsey, RE, Kravis, IB (1987). The competitive advantage of US multinationals 1957-1984. Banca Nationale Del Lavore, Quarterly Review 1987,161.

McKee, D., Pride, W. (1989). Strategic Adaptability and Firm Performance: A Market - Contingent Perspective. Journal of Marketing, 53: 3, pp.21-35.

THE IMPACT OF THE CAP ON THE SUSTAINABILITY OF FORESTRY SECTOR IN BULGARIA

Nikolaj Stefanov[1]

[1] E-mail: nikolaist@abv.bg,Agricultural University of Plovdiv, bul. "Mendeleev" 12, 4000 Trakiya, Plovdiv, Bulgaria

Abstract

The aim of the paper is to measure the impact of CAP on sustainability of forestry sector in Bulgaria. In the context of the sustainability of the forest sector is needed to assess the impact of the CAP on the competitiveness of the sector, ecologist compliance on the sector and its impact on social factor. The state is required to determine the institutional framework (including national policy and institutions for its implementation in the sector) for sustainable forest development, ensuring support all three pillars. At present, Bulgaria has a significant forest resource - forest areas occupy more than a third of the country. Share of forests of the land used in Bulgaria increased in the last 10 years from 30.51% to 33.93%. The positive trend of growth of forests in Bulgaria coincides with the positive growth trend of this indicator at EU level. The growth rate of forests in Bulgaria abandons an annual average of 3% compared to the EU, further efforts are needed to develop the forestry sector to catch up with the EU average. Financial mechanisms to support forestry covered by the CAP as well as those included in the state direct sectoral support have a multiplier effect and cause secondary effects in other (related) sectors (credit, agriculture, renewable energy, tourism and construction).

Keywords: sustainability, forestry, CAP, competitiveness, rural development

Abstrakt

Das Ziel des Papiers ist es, die Auswirkungen der GAP auf die Nachhaltigkeit des Forstsektors in Bulgarien zu messen. Im Zusammenhang mit der Nachhaltigkeit des Forstsektors ist notwendig, um die Auswirkungen der GAP auf die Wettbewerbsfähigkeit des Sektors, die Einhaltung der Ökologievorschriften im Sektor und die Auswirkungen auf den sozialen Faktor zu bewerten. Der Staat muss den institutionellen Rahmen (einschließlich der nationalen Politik und der Institutionen für ihre Umsetzung in diesem Sektor) für eine nachhaltige Entwicklung des Waldes festlegen und dabei die Unterstützung aller drei Säulen sicherstellen. Gegenwärtig verfügt Bulgarien über eine bedeutende Waldressource - die Waldgebiete nehmen mehr als ein Drittel des Landes ein. Der Anteil der Wälder an der in Bulgarien genutzten Fläche ist in den letzten 10 Jahren von 30,51% auf 33,93% gestiegen. Der positive Wachstumstrend der Wälder in Bulgarien deckt sich mit dem positiven Wachstumstrend dieses Indikators auf EU-Ebene. Die Wachstumsrate der Wälder in Bulgarien liegt im Vergleich zur EU bei durchschnittlich 3% pro Jahr, weitere Anstrengungen sind erforderlich, um den Forstsektor zu entwickeln und den EU-Durchschnitt zu erreichen. Finanzielle Mechanismen zur Unterstützung der Forstwirtschaft, die von der GAP abgedeckt werden, sowie diejenigen, die in der staatlichen direkten sektoralen Unterstützung enthalten sind, haben einen Multiplikatoreffekt und verursachen sekundäre

Effekte in anderen (verwandten) Sektoren (Kreditwesen, Landwirtschaft, erneuerbare Energien, Tourismus und Bauwesen).

Stichworte: Nachhaltigkeit, Forstwirtschaft, GAP, Wettbewerbsfähigkeit, ländliche Entwicklung

Résumé

L'objectif de ce document est de mesurer l'impact de la PAC sur la durabilité du secteur forestier en Bulgarie. Dans le contexte de la durabilité du secteur forestier est nécessaire pour évaluer l'impact de la PAC sur la compétitivité du secteur, la conformité écologique sur le secteur et son impact sur le facteur social. L'État est tenu de déterminer le cadre institutionnel (y compris la politique nationale et les institutions pour sa mise en œuvre dans le secteur) pour le développement durable des forêts, en veillant à soutenir les trois piliers. À l'heure actuelle, la Bulgarie dispose d'une ressource forestière importante - les zones forestières occupent plus d'un tiers du pays. La part des forêts dans les terres utilisées en Bulgarie a augmenté au cours des dix dernières années, passant de 30,51 % à 33,93 %. La tendance positive de la croissance des forêts en Bulgarie coïncide avec la tendance positive de la croissance de cet indicateur au niveau de l'UE. Le taux de croissance des forêts en Bulgarie abandonne une moyenne annuelle de 3 % par rapport à l'UE, des efforts supplémentaires sont nécessaires pour développer le secteur forestier afin de rattraper la moyenne de l'UE. Les mécanismes financiers de soutien à la sylviculture couverts par la PAC ainsi que ceux inclus dans le soutien sectoriel direct de l'État ont un effet multiplicateur et provoquent des effets secondaires dans d'autres secteurs (connexes) (crédit, agriculture, énergies renouvelables, tourisme et construction).

Mots clés: durabilité, sylviculture, PAC, compétitivité, développement rural

ntroduction

The theory of sustainability of forests and forestry products currently focus primarily on the three pillars of sustainable development (1) competitiveness, (2) environmental compatibility and social (3) responsibility (Ivanov, Radev, Vachevska and Borisov, 2009). The versatile nature of forestry as a dynamic system, both bound and dependent in time and space from the state and changes in the environment, climate, politics, economy, technology and society in general, both at a micro and macro level and also thus, the manifold nature of the resistance, create a wide scope for interpretation of the concept "stability of forestry". Sustainability of the sector essentially refers to the ability of this production system to develop at a steady pace, adapting to ongoing changes in time and space, in terms of basic parameters of the surroundings influencing its development (Ivanov, Radev, Borisov and Dimitrova, 2012). In this regard, the sustainability should be seen in the context of the situation and according to current trends in this type of production and applied policies (Nikolov, Radev and Borisov, 2013). The importance of forestry as a major source of a wide range of products and services strategically important for the development of the national economy requires the use of interventions by the state (Borisov and Marinov, 2013). In rural areas forestry sector is one of the few sectors that enable the livelihood of the local population and play role of major source of employment and income

(Nikolov Borisov and Radev, 2014). Realizing the importance of this sector for years the state seeks through appropriate intervention measures to preserve forests as a natural resource and to enable them to be a profitable business. After accession to the EU, Bulgaria has the opportunity to receive financial support for conservation and development of forestry. Agreeing and implementing the Common Agricultural Policy (CAP), the state is obliged to assist the development of the forestry sector while respecting the principles of sustainable development.

The aim of the paper is to measure the impact of CAP on sustainability of forestry sector in Bulgaria for one decade.

The impact of CAP on the development of forestry in recent years, clearly felt in terms of increase in areas producing forest products, and in terms of growth of exports of these products and increase the competitive advantages of Bulgaria in this sector (Borisov, Radev and Dimitrova, 2014). In the context of the sustainability of the forest sector is needed to assess the impact of the CAP on the competitiveness of the sector, ecologist compliance on the sector and its impact on social factor. The state is required to determine the institutional framework (including national policy and institutions for its implementation in the sector) for sustainable forest development, ensuring support all three pillars.

National policy on forestry is conducted by the Council of Ministers (CoM) by the Minister of Agriculture, Food and Forestry. In accordance with the Constitution of the Republic of Bulgaria and implementing regulations, the Minister of Agriculture, Food and Forestry implements the state policy in the field of forestry and hunting. Minister of Agriculture, Food and Forestry is the central body of executive authority that manages, coordinates and controls the implementation of state policy in the field of agriculture, rural development, forestry, fisheries and aquaculture.

Other institutions involved in the implementation of the national policy for sustainable forestry are the Ministry of Finance (MoF), Ministry of Environment and Water (MoEW), the Ministry of Interior (MoI), Ministry of Energy (ME). The controlling authority on financial matters is the Ministry of Finance on environmental issues - environment, on production of heat and electricity from renewable sources has ME on prevention and fight against illegal activities in forest areas and forest fires - MIA. ME manage, organize and coordinate the implementation of policies for enhancing the competitiveness of the national economy and individual businesses, including the forest industry - woodworking, furniture and pulp and paper.

Financial assistance for the development of agricultural and forestry within the CAP was performed using the two approaches (post intervention). The first approach focuses on the sustainable development of the sector through the implementation of the direct area payments. The second approach (pillar) is the use of financial schemes to promote investment activity in the sector. The second approach starts by applying the measures included in the Program for Rural Development 2007 - 2013 (RDP).

Table 1. Measures to support the sustainable development of the forestry sector. Source: Own.

	RDP 2017-2013	RDP 2014-2020
Specific actions for sustainable forestry	Measure 122; Measure 123; Measure 223; Measure 226;	Measure 08; measure 15

Financial support for the development of forest is provided through the use of 4 axis: Axis 1 "Improving the competitiveness of the agricultural and forestry sector"; Axis 2 "Improving the environment and rural development"; Axis 3 "Quality of life in rural areas and diversification of the rural economy"; Axis 4 "Leader Approach". In the RDP 2007-2013, the measures which may be determined as a specific and entirely designed for the development of the forestry sector are measure 122, measure 123, measure 223 and measure 226. In subsequent RDP 2014-2020 measures specifically designed for the sector are : measure 08 and measure 15 (see table 1)

Key instrument to support the sector over the last 10 years is the Program for Rural Development (Phase 1 and Phase 2). The implementation of the RDP meeting in the beginning number of challenges such as insufficient government capacity for implementation of the program; low public awareness of the opportunities that the RDP allows for the development of the sector; timidity and distrust of the population to the proposed financial assistance under the RDP; complicated application procedure and insufficient mechanisms to assist farmers in applying for the grant of financial assistance; failure to provide co-financing of projects by farmers and others (Borisov, Radev and Nikolov, 2014).

Results

Impact of CAP on areas of forests on productivity in the sector. At present, Bulgaria has a significant forest resource - forest areas occupy more than a third of the country. The area at 31.12.18 is 4,230,825 hectares, of which 2,913,090 ha (68.85%) are State forest areas managed by state-owned enterprises, 172 473 ha (4.08%) are State forest areas managed by the Ministry of Environment and Water (MoEW), 11 415 ha (0.27%) - State forest areas which are experimental forest, 546,931 ha (12.93%) - forest managerd by municipal authority , 426,082 ha (10.07%) - areas owned by private individuals, 43 916 ha (1.04%) - forest areas owned by private entities and 20 911 ha (0.49%) - forest areas owned by religious communities.

Forest areas - agricultural lands are 96 007 ha (2.27%). The forested area is 3 864 965 hectares, has increased by 7307 hectares to 2008 as species distribution footprint - dominated by deciduous forests - 69.5% compared to conifers - 30.5%. According to data from the departmental report forms of the National Forestry (YAG) the percentage of the wood stock by types of woods and woody species composition is: broad - 55.5%, including oaks - 21.3%, beech - 24.0%, hornbeam - 3.8% acacia - 1.2% and more. Conifers have 44.5 percent of the total growing stock, incl .: White Pine - 21.5%, black pine - 10,8%, spruce - 8.6%. The average total annual forest growth in Bulgaria is 13 974 000 m³, and the average annual timber production is around 8.4 million m³ standing pulp. The total stock of wood in the forests in Bulgaria 31.12. 2010 is set at 6.4 million m³, of which 42.2% are concentrated in recreation and protection of forests and protected areas. The average stock per 1 ha is 172 m³. There is a trend of increasing stock of wood per hectare, with strong dynamics in coniferous forests. On the other hand, sets the trend to reduce the average stock per hectare in coppice forests for conversion into seed. The average annual growth of wood increased from 14.1 million m³ to 14.4 million m³ of carbon stocks in forest biomass of tree species also noted an increasing trend in recent years.

The average age of the forests over the past 10 years increased from 49 to 53 years. In coniferous forests with the largest area participation are those aged 21 to 40 years - 42%. Coniferous trees older than 80 years occupying 20.9% of the area of coniferous forests. In deciduous forests, the

share of middle-aged and mature trees. The average age of the coppice forests for conversion into seed and low-stem forests also increases.

In the pre-accession period (2000 - 2007) the share of the forests of the land used in Bulgaria increased from 30.51% to 33.93% (see Fig. 1). After accession to the EU (in 2008) the growth rate of the areas occupied by forests continues to grow. It is noted that over the years the proportion of forests from land use grows an average of 0.6%. The positive trend of growth of forests in Bulgaria coincides with the positive growth trend of this indicator at EU level. The positive trend that remains stable over the years demonstrates the positive impact of the CAP on the sustainability of the areas occupied by forests. However, the area of forests remain below the average of the forests in the EU as in terms of this indicator Bulgaria abandons an annual average of 3%. Further efforts are needed to develop the forestry sector to catch up the EU average in terms of the areas occupied by forests.
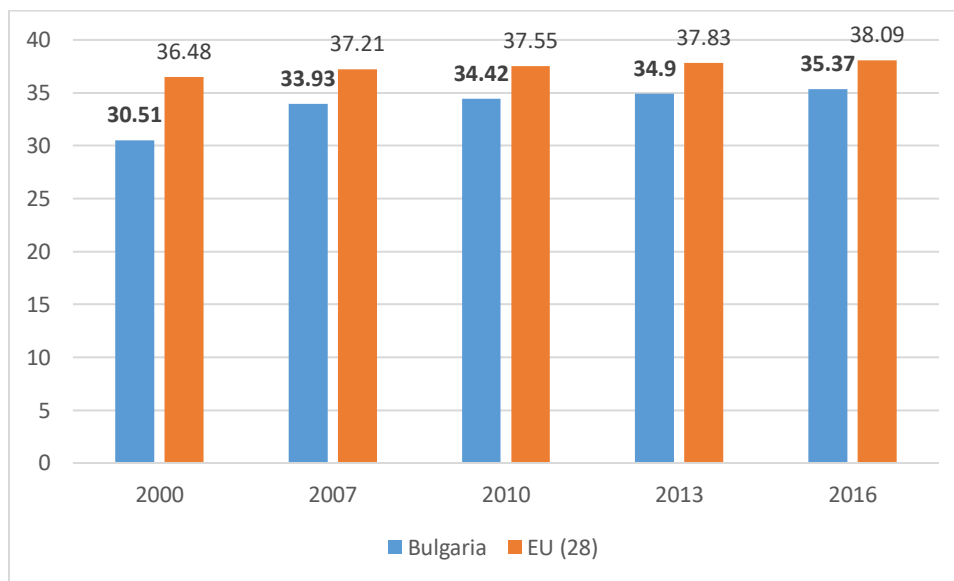

Figure 1. Dynamics of the areas occupied by forests in Bulgaria and the EU, represented as a share of total utilized land. Source:FAOSTAT www.fao.org

In the year of Bulgaria's accession to the EU (2008) there is a sharp change in the volume of electricity produced from forestry production expressed in value. The graph shows that the output of 209 million BGN only in one year was reduced to 157 million. Lev (see Fig. 2). At the beginning of 2010 there is a boom in the sector in terms of production of forest products, which lasted until 2015, namely the production of 157 million BGN reached 380 million BGN, which is up nearly 2.3 times . Relying on this indicator could be noted that the CAP affects an extremely positive impact on production in the sector over the past 10 years.
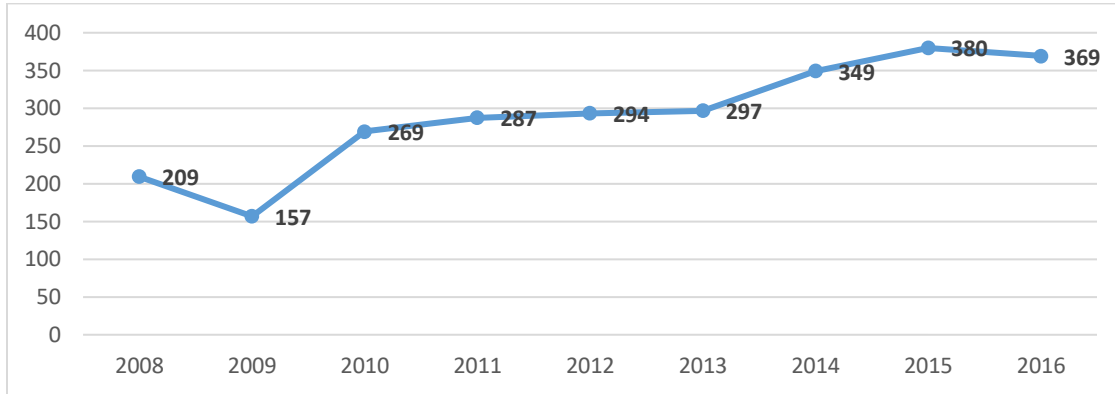
Figure 2. Dynamics of production of the sector expressed in millions BGN. Source: FAOSTAT
www.fao.org

The expansion of areas under forests and increase the production of forest products are the factors that affect the exports of products produced by the sector. In the period 2007 - 2013 exports increased from 217.1 million BGN and reached its peak in 2013 to 329.3 million BGN (see Fig. 3). After 2013 exports began to gradually shrink and reaches values 306.9 million BGN. Despite this downward trend in the value of exports, it generally has increased 1.4 times over the past 10 years. The positive trend of increase in exports in the period 2007-2013 demonstrates that the CAP positively affect the competitiveness of the forest sector in the international market.

Imports of forest products in the country in 2007 amounted to 291.5 million BGN, after the country's accession to the EU imports declined sharply to 228.8 million BGN (in 2010). Followed by a period of recovery and expansion in imports as he nearly equaled in value of exports in 2018, namely reaching levels of 303.3 million BGN (see Fig. 3). The sharp fluctuations in exports and imports are determined by the restructuring of the market orientation of the sector. As part of the EU country meeting the high competitiveness of other EU Member States of the European market. However, Bulgarian forestry able to compete successfully as exports exceed imports, which resulted in a positive trade balance.
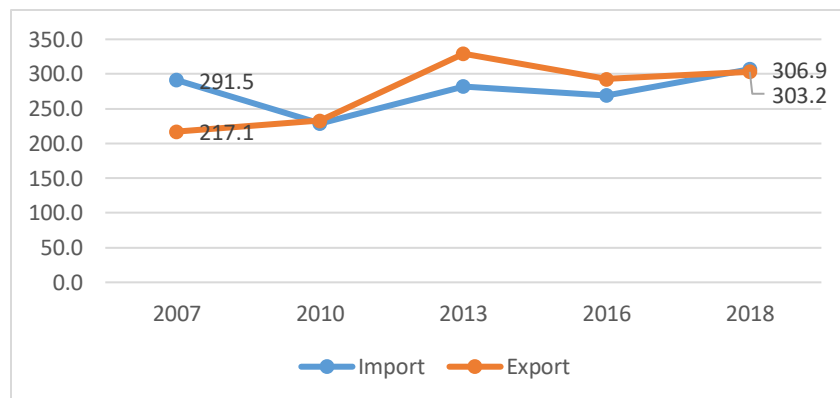

Figure 3. Dynamics of import and export of forest products in million BGN. Source: FAOSTAT
www.fao.org

Impact of CAP and state support for achieving competitiveness of the forest sector. Sustainable forestry over the years of pre-accession period is financed by government payments from the budget and the use of pre-accession funds. Figure 4 shows a dynamic financial assistance from the state of conservation, development and restoration of forests in the country. In the pre-accession period 2001-2007, Bulgarian state provides financial support for development of forestry in the amount of 202.29 million BGN (2001), which increased and reached 594.5 million BGN in 2006 from the accession of Bulgaria to the EU state support for development of the forestry sector starts fell sharply and reaches its minimum of 299.24 million BGN.
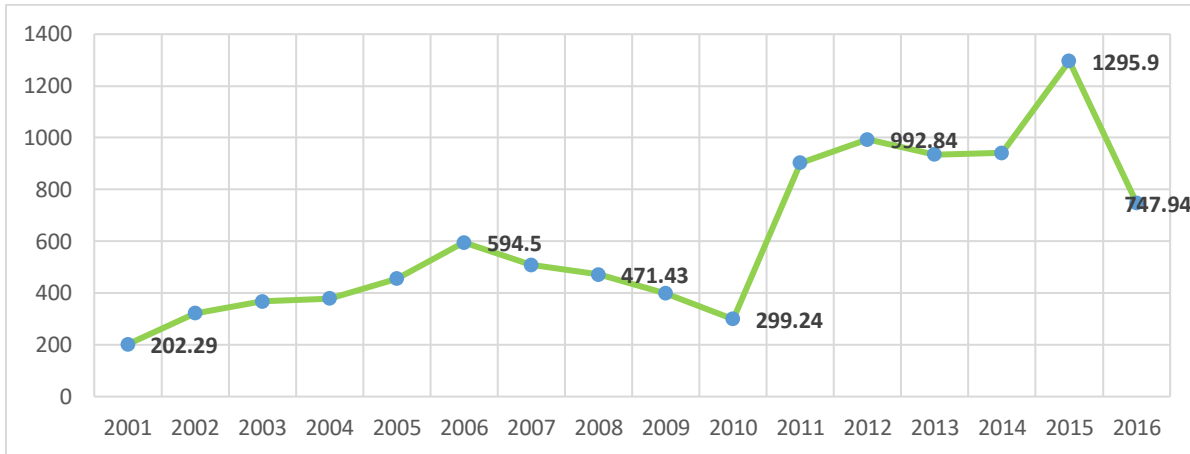

Figure 4. State support for development of the forestry sector million BGN Source: FAOSTAT
www.fao.org

Agricultural Fund for Rural Development (EAFRD) for sustainable forestry as national payments gradually began to decline. In the period 2011 - 2015 state support sharply increased and reached its peak of 1295.9 million BGN in 2015 In this period began the accelerated utilization of financial assistance provided under the RDP 2007-2013 and RDP 2014 -2020 and an increase in national payments provided for the sector. As a result of the support provided through the financial mechanisms of the CAP and state payments over the past 10 years have seen a sharp increase in production (2.3 times) and exports (1.4 times).

Financial mechanisms to support forestry covered by the CAP as well as those included in the state direct sectoral support have a multiplier effect and cause secondary effects in other (related) sectors (bank loans, tourism, agriculture, renewable energy, construction, education, etc.). One of the important sectors for sustainable development of the forestry sector is the bank sector. Implementation of projects for sustainable forest management and forestry co-financing by the developer (private or public), which co- affects demand for loans. The banking sector is a major provider of loans for development of forestry in the country. For the period 2000 – 2018, lending to the sector increased nearly 20-times (see Fig. 5). The findings increase in state support - 6.4 times (compared to 2000) led to this secondary effect in the credit sector. Loans for forestry in 2000 were 106.3 million BGN as their size increased dramatically and reached 2 158.73 million BGN in 2018
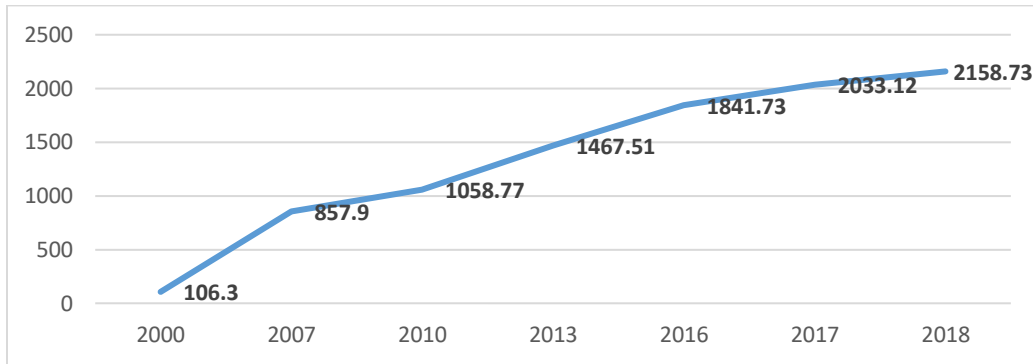
Figure 5. Loans in the forestry sector (million BGN). Source: FAOSTAT www.fao.org

Another important multiplier effect of the financial support under the CAP on the sustainable development of the forestry sector is the amount of attracted foreign investments. In the period 2000 - 2016 is seen sharp fluctuations in foreign direct investment in the forestry sector in Bulgaria. At the time of accession to the EU, namely in 2008 was seen exceptional peak attracted foreign investment at this time they reach 64.6 million BGN (see Fig. 6) Explanation for this could be sought that country us as a new member of the EU is an interesting and attractive investment destination. A year later began a drastic decline in FDI attracted by their minimum is reached in 2010 - 3.3 million BGN. This is explained by the current global economic situation then, namely the financial crisis in 2007 in the US, which later extends to the rest of the world. In the period 2010 - 2016 is stabilized and there was sluggish rise in foreign direct investment in the forestry sector in 2016 they had dropped to 8.1 million BGN (level much lower than reported in 2000)
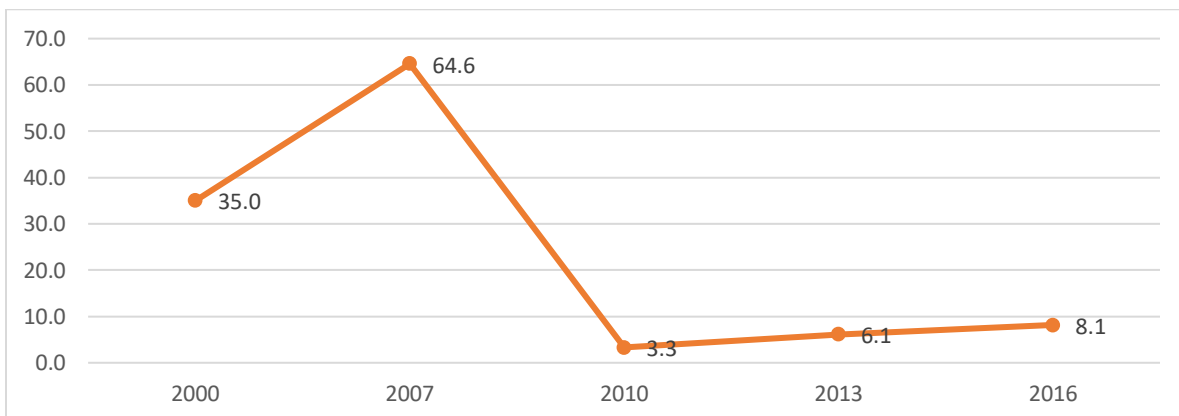

Figure 6. Foreign direct investments in the forestry sector million BGN. Source:FAOSTAT www.fao.org
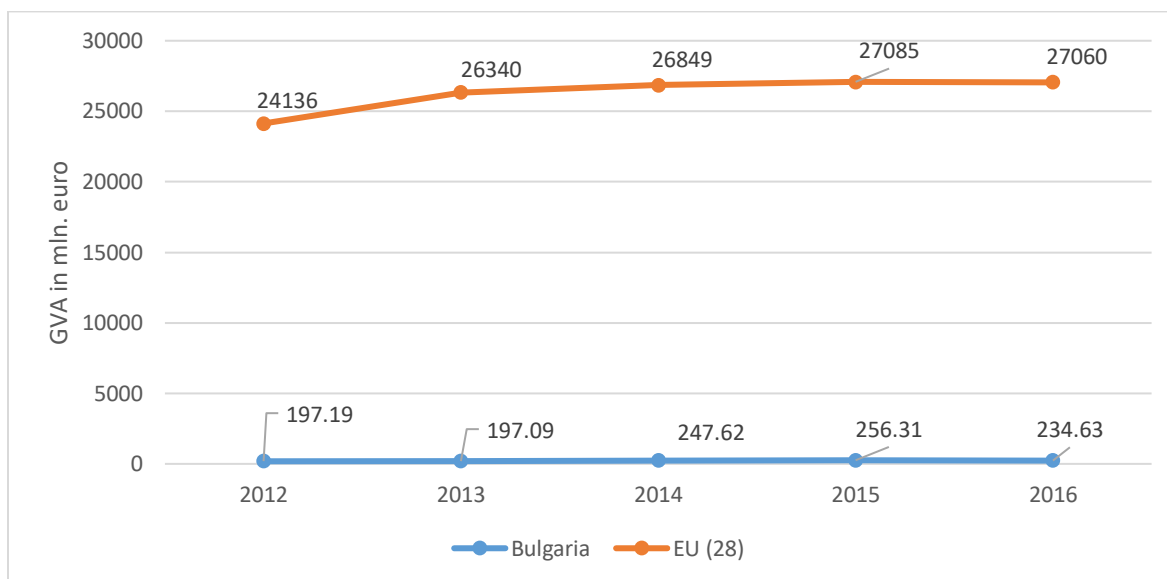
Figure 7. Gross added value generated by the forestry industry. Source: EUROSTAT, 2012-2016
https://ec.europa.eu/eurostat/tgm/table.do?tab=table&plugin=1&language=en&pcode=tag00058

The increase in state support and lending in the forestry sector leading to an increase in gross value added (GVA). In 2012 the gross value added in the sector amounted to 197.19 mln. euro (See Fig. 7). In recent years, GVA is growing and reached its peak in 2015 - 256.31 mln. euro, which is almost 1.3 times the levels recorded in 2012. The growth of GVA as production and exports show that the CAP favorably affects the competitiveness of the forest sector. The growth rate of GVA Bulgarian forestry follows the positive growth rate of GVA at EU level (28). At the time of accession of Bulgaria to the EU state forestry is low-input and low competitiveness. The production process at the farm realized in extreme weather conditions - low productivity of applied technologies of production (they are obsolete and natural resource), obsolete equipment for mining, haulage and transport of wood, low level of education and training of employed workers, underdeveloped road and utility infrastructure. In this business environment, forestry Bulgaria faces new challenges of the pan-European market. Bulgarian forestry businesses face higher competitiveness of Western companies that have innovative technologies.

The entry of our country into the EU requires restructuring the export of products produced by the sector. Began changing the existing traditional country trade partners due to the imposition of duties and other customs restrictions. The restructuring of export proceeds at a time when the global economy is "vortices" financial crisis. All this requires the state to take action on strategirane its support for promoting the competitiveness of the forest sector. In recent years, started the process of preparing and implementing specific strategic program with the participation of stakeholders to create opportunities for improving the overall economic situation and the competitiveness of forestry.

At the time of accession of Bulgaria to the EU, forest road network in the country is relatively underdeveloped. According to the expert assessment of the World Bank, carried out in 2003-2007 year in forest areas there are about 28 000 km of roads. Of these, about 10,000 km are paved with gravel or

asphalt coating and about 18,000 km are unpaved. Owned by state forestry enterprises (SFE) and state hunting (SH) are nearly 18,000 kilometers, and Republican and other property - about 10 000 km.

To date, according to data from the EFA average density of forest road network is 7.9 m/ha. It is comparable to that in Romania - 6.5 m/ha, but is significantly lower than other European countries, characterized by high brilliance of forests Austria - 36 /ha, France - 26 m/ha, Germany - 45 m/ha and Switzerland - 40 m/ha. Evidence suggests that although access to financial assistance road infrastructure is currently underdeveloped and not in very good condition. Over the past 10 years, mainly due to financial constraints, hardly builds new roads, maintenance or reconstruction of existing insufficient. Of the total forest roads, 75% are not suitable for movement of modern means of transport timber. As a result of the depreciation of the forest road network increases the proportion of unusable or difficult access to technology during certain times of the year forest roads (data EFA). This directly extended activities and costs in the supply chain of wood and reduces the competitiveness of the forest sector. Forest underdeveloped infrastructure and poor condition of forest roads create prerequisites for excessive use of wood in certain forest areas and difficult mastering forest fires. In addition, traditional practices on construction of forest roads are lagging behind in comparison to other European countries that aim to mitigate the potential environmental violations resulting from the design and construction of forest roads.

Clarifying the actual state of roads in forest areas and prospects of forest road network is one of the important activities that the state should take to improve the competitiveness of the sector.

Overall, companies from the forestry industry have overcome the crisis of 2009 - 2010, and has seen an increase in production, it reached its peak in 2016 years. The industry can be assessed as promising to the availability of sufficient raw material resources, sustainable internal and external market positions of the products and its importance as a source of income and employment for a significant portion of the population in mountain and rural areas.

At this point, according to the National Strategy for development of the forestry sector in the Republic of Bulgaria for the period 2013 - 2020 years the main issues related to enhancing the competitiveness of the forest sector are: 1) low labor productivity; 2) the lack of skilled labor; 3) lack of opportunities for the use of funds from the EU structural funds to invest in the renewal of equipment in forestry, plant production lines and transport of forest products; 4) insufficient participation (support) by banks in investment projects in the sector; 5) low share of certified forest areas and certified forestry contractors. All this limits the access of products and articles of the forestry sector to foreign markets. According to the National Strategy critical factor limiting the competitiveness of the forest sector is the lack of labour. Measures that can be taken to tackle this problem could be the following: 1) hiring new workers to maintain the necessary capacity in use, restoration and protection of forest resources and territories in number and higher competence and 2) raise the social status of forest workers by raising wages and providing more attractive working conditions in the forestry sector, especially in logging.

One way to increase the viability and profitability of forestry is by creating opportunities for diversification of production, namely the development of hunting, recreation, energy production from forest tree biomosa and others. Thus forestry can add value to manufactured goods and to diversify sources of revenue in their financial management. The state's role is to assess the capacity of forest ecosystems for the production of biomass as a renewable energy source and the development of

hunting tourism. At present there is already a National Action Plan for energy from forest biomass 2018-2027 and Strategy for Development of hunting in Bulgaria for the period 2012-2027.

Achieving innovative and competitive forest sector requires spending for research and development (R&D) as well as promoting technology transfer from nauchnno-educational organizations to forestry. The major source of R&D funding is the state budget, 98% of R&D in the sector every year are made by the State (according to the National Statistics Institute). Still missing private enterprises to conduct &D in the sector. At the present moment the contribution of science to the development of the forestry sector is insufficient due to lower costs for research and development (R&D), innovation and development with practical effect. The relationship between science and forestry business, innovation and technology transfer in the forestry sector are poorly developed.

Impact of CAP on developing social factor in the forestry sector. The favorable natural conditions and traditions in forestry and forest industry in case of internal and external markets for forest products and services are a prerequisite for development activities ensuring income from sales of timber and non-timber forest products, providing ecosystem services and biomass production. Although the forest sector to form a relatively small share of gross domestic product, forestry and forest industry as a traditional livelihood are particularly important for rural development in Bulgaria and improving the quality of life. Achieving sustainable forestry requires investment in the sector, aimed at efficient use of the social factor in achieving sustainable development. Forestry is one of the main and the only sector in some regions of Bulgaria, which provides an opportunity for employment and wage income. The number of employed in the sector is given in Figure 8. The data show that there has been a spike in the number of people employed in forestry in the country over the past 10 years. In 2009 the number of employed was 22.8 thousand people like peak in the number of employees was achieved in 2017 - 32.5 thousand people. There is a sharp fluctuation in the number of employees on an annual basis after year to increase the number of employees, immediately following year with a sharp drop in this indicator. This proves the impact of the CAP on the number of employees in the sector is hesitant and mixed by force. It can be concluded that the CAP does not create lasting trends preserve and increase the number of people employed in forestry. Causes fluctuation in the number of employees can be found in labor migration of the population; in unattractive working conditions that the sector offers and low levels of profitability that forestry achieved in comparison with other economic sectors. Very often the forest is a source of labor for related industries which offer attractive working conditions and pay. in unattractive working conditions that the sector offers and low levels of profitability that forestry achieved in comparison with other economic sectors. Very often the forest is a source of labor for related industries which offer attractive working conditions and pay. in unattractive working conditions that the sector offers and low levels of profitability that forestry achieved in comparison with other economic sectors. Very often the forest is a source of labor for related industries which offer attractive working conditions and pay.
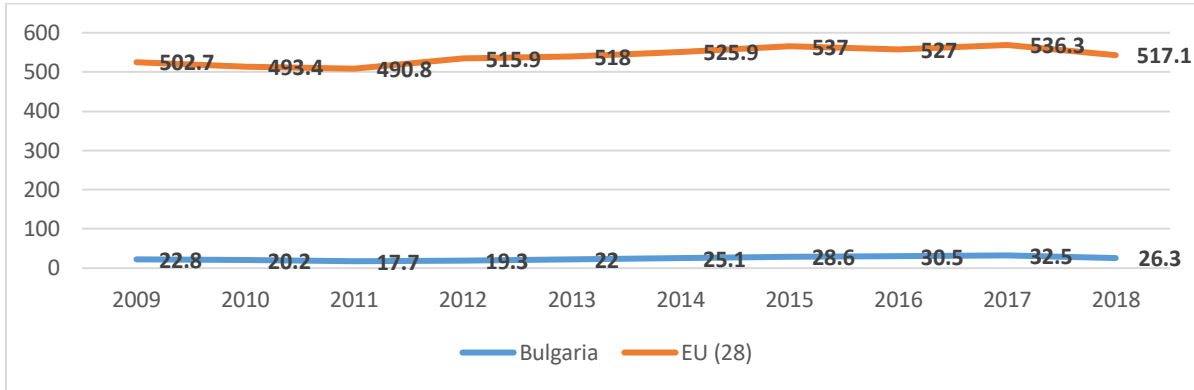
Figure 8. Number of employed in forestry - thousand people. Source: EUROSTAT,www.eurostat.eu

One of the important determinants of employment in the forest sector is the ability to realize the profitability of doing business. Net income, which is implemented in forestry over the years slightly increases - in 2013, net income per one holding amounted to 17 580 BGN and in 2016 reached 17 820 BGN (see Fig. 9). Compared to other economic sub-sectors (such as agriculture and rural tourism), using natural resources, forestry offers the lowest yield. This proved outflow of entrepreneurial factor in the sector. It should be noted that state enterprises dominate in forest management.
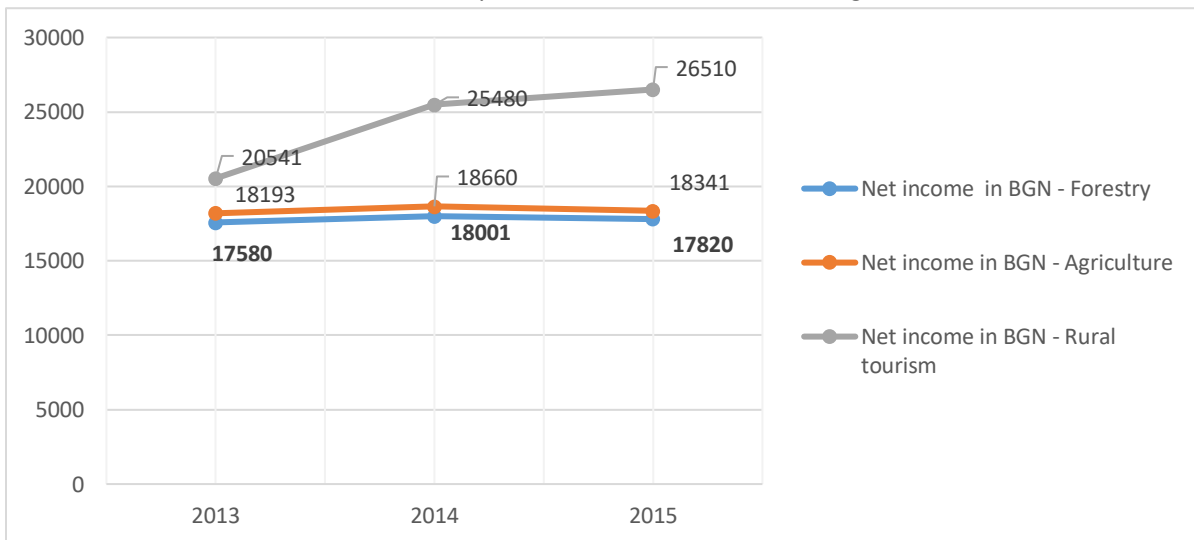

Figure 9. Net income in sectors that compete in the use of natural resources (in BGN per one farm). Source: data from the accounting system of agricultural information EUROSTAT -www.eurostat.eu and own calculations.

Conclusions

At present, Bulgaria has a significant forest resource - forest areas occupy more than a third of the country. Share of forests of the land used in Bulgaria increased in the last 10 years from 30.51% to 33.93%. The positive trend of growth of forests in Bulgaria coincides with the positive growth trend of this indicator at EU level. The growth rate of forests in Bulgaria abandons an annual average of 3%

compared to the EU, further efforts are needed to develop the forestry sector to catch up with the EU average.

Financial mechanisms to support forestry covered by the CAP as well as those included in the state direct sectoral support have a multiplier effect and cause secondary effects in other (related) sectors (credit, agriculture, renewable energy, tourism and construction). For the period 2000 - 2018 lending to the forestry sector increased nearly 20 times. The findings increase state support amounting to 6.4 times this leads to a secondary effect in the bank sector. There is a subdued rise in foreign direct investment in the forestry sector in 2016 they had dropped to 8.1 million BGN (level much lower than reported in 2000). GVA is growing and reached its peak in 2015 - 256.31 mln. euro, which is almost 1.3 times from levels in 2012.

Traditionally applied practices for building forest roads are lagging behind in comparison to other European countries that aim to mitigate the potential environmental violations resulting from the design and construction of forest roads.

Clarifying the actual state of roads in forest areas and prospects of forest road network is one of the important activities that the state should take to improve the competitiveness of the sector.

Overall, companies from the forestry industry have overcome the crisis of 2009 - 2010, and has seen an increase in production, it reached its peak in 2016 The industry can be assessed as promising to the availability of sufficient raw material resources, sustainable internal and external market positions of manufactured products.

At the present moment the contribution of science to the development of the forestry sector is insufficient due to lower costs for research and development (R & D), innovation and development with practical effect. The relationship between science and forestry business, innovation and technology transfer in the forestry sector are poorly developed. As key issues emerge expansion of direct cooperation between research organizations and enterprises and increasing the share of private R&D funding.

References

Borisov, P., and P. Marinov (2013). Analysis of the sources of competitive advantage of the wine cluster. Scientific Papers of Agricultural University - Plovdiv, Volume LVII, pp. 151-158.

Borisov, P., T. Radev, and D. Nikolov, (2014). Analysis of Strategic Factors for the Development of Small Farms in Bulgaria, Journal of Economics and Agricultural Management, №2

Borisov, P., T. Radev, D. Dimitrova (2014). Comparative advantages of EU Member States in Trade with Wine. Икономика и управление на селското стопанство, бр. 4/2014, София, стр. 59-65.

Ivanov, B., T. Radev, D. Vachevska, P. Borisov (2009). Agricultural Sustainability-ASVIWI. Avangard Prima, Sofia. 299 pp.

Ivanov, B., T. Radev, P. Borisov, D. Dimitrova. (2012). A methodological approach to assessing sustainability in agriculture. Cc. Agricultural Economics and Management, Sofia, issue 4/2012

Nikolov, D., P. Borisov, T. Radev (2014). Challenges and perspectives of Bulgarian small farms. "Achievements and challenges in the food sector and rural areas during the 10 years after EU enlargement", Warsaw, Poland, №123.1, pp. 69-84.

Nikolov, D., T. Radev, P. Borisov. (2013). CAP contribution on landscape management in Bulgaria. Agroeconomia Croatica 3:2013 (1) 46-52.

THE IMPACT OF THE PRODUCT STRATEGY ON THE MARKET SHARE. THE CASE OF BULGARIAN WINERIES

Petar Borisov[1], Haik Garabedian[1]

[1]E-mail: peterborisov@gmail.com,Agricultural University of Plovdiv, bul. "Mendeleev" 12, 4000 Trakiya, Plovdiv, Bulgaria

Abstract

Product strategy is one of the main factors which determining market share. Two variables are important in planning of the product strategy of winery – one is the level of specialization (diversification) of production and second is the scale of production. This raises the question of what is an appropriate product strategy to be followed and how it will affect the market power and efficiency of management of wineries. The purpose of this study is to analyze and assess the impact of product strategy on market share and to measure how market share influence the efficiency of the wineries in Bulgaria. First stage of methodological approach is to identify is there relevance between applied product strategy and achieved market share of winery. The second stage is to be evaluated the relevance between achieved market share and level of efficiency of management of wineries. The statistical evidence proof that product strategy can influence on market share and efficiency of management.

Key words: product strategy, market share, return on sales, return on equity, return on assets

Abstrakt

Die Produktstrategie ist einer der Hauptfaktoren, die den Marktanteil bestimmen. Zwei Variablen sind bei der Planung der Produktstrategie der Weinkellerei wichtig - zum einen der Grad der Spezialisierung (Diversifizierung) der Produktion und zum anderen der Umfang der Produktion. Dies wirft die Frage auf, welche Produktstrategie zu verfolgen ist und wie sie sich auf die Marktmacht und die Effizienz des Managements der Weinkellereien auswirkt. Der Zweck dieser Studie ist es, die Auswirkungen der Produktstrategie auf den Marktanteil zu analysieren und zu bewerten und zu messen, wie der Marktanteil die Effizienz der Weinkellereien in Bulgarien beeinflusst. Die erste Stufe des methodischen Ansatzes besteht darin, die Relevanz zwischen der angewandten Produktstrategie und dem erreichten Marktanteil der Weinkellereien zu ermitteln. In der zweiten Phase soll die Relevanz zwischen dem erreichten Marktanteil und dem Grad der Effizienz des Managements der Weinkellereien bewertet werden. Die statistischen Beweise beweisen, dass die Produktstrategie den Marktanteil und die Effizienz des Managements beeinflussen kann.

Schlüsselwörter: Produktstrategie, Marktanteil, Umsatzrendite, Eigenkapitalrendite, Kapitalrendite

Résumé

La stratégie de produit est l'un des principaux facteurs qui déterminent la part de marché. Deux variables sont importantes dans la planification de la stratégie de produit d'une entreprise vinicole -

l'une est le niveau de spécialisation (diversification) de la production et l'autre est l'échelle de production. Cela soulève la question de savoir quelle est la stratégie de produit appropriée à suivre et comment elle affectera le pouvoir de marché et l'efficacité de la gestion des établissements vinicoles. L'objectif de cette étude est d'analyser et d'évaluer l'impact de la stratégie de produit sur la part de marché et de mesurer comment la part de marché influence l'efficacité des caves en Bulgarie. La première étape de l'approche méthodologique consiste à identifier la pertinence de la stratégie de produit appliquée et la part de marché atteinte par les caves. La deuxième étape consiste à évaluer la pertinence entre la part de marché obtenue et le niveau d'efficacité de la gestion des établissements vinicoles. Les données statistiques prouvent que la stratégie de produit peut avoir une influence sur la part de marché et l'efficacité de la gestion.

Mots clés: stratégie de produit, part de marché, rendement des ventes, rendement des capitaux propres, rendement des actifs

nroduction

In terms of market surplus and strong price competition in the global wine market, the main tool for maintaining market power of enterprise is the objectively developed and pursued integrated product strategy. Wine enterprises in Bulgaria have serious gaps in strategic marketing activities. Results of the resent study (Radev, 2012) show the presence of significant gaps in basic marketing activities such as the establishment of a functioning information system, market segmentation, developing profile of target market, quantitative setting marketing objectives, build a system for monitoring the implementation of the marketing strategy. In most of the surveyed wine enterprises these activities are ignored (in whole or in part), which calls into question the quality and those that are running. The final process of developing and following a product strategy is the result of successive steps and cannot be done if the previous missing. In the domestic market, wineries are seeking to implement flexible pricing as a leading factor for their product strategy. This is determined by the fact that consumers have low income and in the choice of buying leading factor is the relation "price-quality". On the other hand, there are some major problems on the value proposition chain like small size of the vine farms which are main producers of raw materials; deteriorating age structure of the vineyards; low share of typical Bulgarian grape varieties in the variety structure; large share of the informal sector and low integration of industries (Dimitrova, 2010), (Borisov, Marinov 2013). In these conditions, the ability of product strategy to ensure market share which brings greater return on investments is a really real indicator of effective management thinking. Managers must increase the return on investment to meet the requirements of investors, but on the other hand it is necessary to take into account market requirements and restriction of business condition in the development of adaptive product strategy. Product strategy is one of the main factors which determining market share (Avila, 1997), (Gorynia, 2004). One strategy to achieve greater market share is maintaining a diversified line of products, which complicates the management of the enterprise as a whole (Liao, 2005), (Ivanov, 2013). Another strategy is to achieve a high degree of specialization and standardization of large-scale production, which allow achieving price leadership (Armstrong, 1996). Several studies show that there is direct relationship between manafacturing capacity and market share of the enterprise (Galbraith, 1990; Ling, 2000; Lockshin, 2000). In conditions of large production capacity

enterprice has the potential to gain greater market share, benefiting from all the advantages of large scale production. (Tirole, 1988), (Bloodgood and Katz, 2004). Very common strategy used by wineries is the production of a limited range of products featuring high quality and respectively imposing its higher price segments (Radev, 2009). The aim of this strategy is to achieve differentiation of the offered product. Following each of these product strategies put different restrictions on the development and maintenance of market share of the winery. At higher specialization of the product range, the enterprice has a higher inertia of changes in market conditions. On the other hand maintaining a wide variety of products available, which ensures more sales and thus achieve greater market share complicates the overall management of the enterprise. This raises the question of what is an appropriate product strategy to be followed and how it will affect the market power and efficiency of management of wineries. The purpose of the currant study is to analyze and measure the impact of product strategy on market share and how market share influence the efficiency of the wineries in Bulgaria.

Based on the definition of that "the product is a set of features offered by the seller to the buyer" (Trendafilov, 2000) the development of the company's product strategy applies to making strategic decisions on product characteristics. Product characteristics can be divided into two groups - real and ideal. Real characteristics are tangible and not depend on the subjective opinion of the user. These features are size, shape, weight, technical values, nutritional value, composition, packaging, shelf life, color, taste, smell. Ideal product features are intangible and their judgment depends on the subjective opinion of the user. This includes the brand, quality, and image, type of manufacturing, utility, guarantees, and aesthetics. The determination of these characteristics is an essential part of the development of product policy, but before proceeding to them, the management should determine what product range will be provided into the market. According to Kotler, 2005 the product strategy represents a "whole group of goods and items that a seller offers for sale." Managers should consider very carefully, what will be the width, depth and harmony in the product strategy. Width represents the number of product lines, the depth is the number of sets within a product line and harmony refers to the degree that combines (complement) the different product lines. Looking for opportunities to expand their business, companies can add new product lines and / or increase assortments included in a product line. It is also possible and reverses the process of optimizing existing product range in which certain sets or product lines are removed from production. Two variables are important in planning of the product strategy of winery – one is the level of specialization (width of product range) and second is the scale of production (depth of product range) (Martinet, 2010). In figure 1 is given matrix build into the mentioned criteria – scale of production and level of specialization.

Figure 1. Types of strategies of wineries. Source: Adapted according to the criteria of Martinet, 2010.

		Width of product range	
		Small/ under 50 000 bottles per line	Large/ more than 500 000 bottles per line
Depth of product range	Specialized / only one product line	**(1) Small-scale specialized strategy**	**(2)Large-scale specialized strategy**
	Diversified / two and more product lines	**(3) Small-scale diversified strategy**	**(4) Large-scale diversified strategy**

The matrix shows four different types of product strategies, which wineries applied in their market policy.

The proper combination of these two factors can lead to adaptive product strategy. In table 1 is given the types and aims of each product strategy which are included in current study. According to the interviewed managers of wineries small scaled product line has capacity up to 50 000 bottles per year and large scale line has capacity to produce up to 500 000 bottles per year. Highly specialized wineries are those who produce only one product line and diversified is those who produce more than two product lines.

Table 1. Comparative analysis of product strategies of wineries in Bulgaria. Source: own survey, 2019

Type of product strategy	Characteristic	Aim	Indicators for efficiency of management of winery
Small scale specialization	Winery is specialized in production of one product line in limited capacity /under 50 000 bottles/	Higher price Quality product Exclusiveness	Return on sales Return on equity Return on assets
Large scale specialization	Winery is specialized in production of one product line in large capacity /more than 500 000 bottles/	Standardization Economies of scale Price leadership which benefits more sales	Return on sales Return on equity Return on assets
Small scale diversification	Winery is specialized in production of two and more product lines in limited capacity /more than 50 000 bottles for each one/	Higher price Quality product Exclusiveness More choice for consumers	Return on sales Return on equity Return on assets
Large scale diversification	Winery is specialized in production of two and more product lines in large capacity /more than 500 000 bottles for each one/	More coverage of consumer preferences which benefits more sales Greater market share	Return on sales Return on equity Return on assets

First stage of methodological approach is to identify is there relevance between applied product strategy and achieved market share of winery (see figure 2). By applying χ2- analysis is assessed the mentioned relevance.

The second stage is to be evaluated the relevance between achieved market share and level of efficiency of management of wineries. According to Rajaram (2010) indicators for efficiency of management of enterprise are return on sales, return on equity and return on assets. By applying statistical approach, called regression is testing what is the impact of market share on efficiency of management of winery. In this regression model, market share is situated as a driver and return of sales, equity and assets are functional factors (which characterized the efficiency of management).

Figure 2. Methodological approach of study. Source: Own, 2019.

All date is collected by using structural interviews with managers and financial reports of wineries. In the study, take part 55 wineries from each wine region of Bulgaria in period 2010-2013. All collected data is process with MS Excel. The statistical analysis is provided by using the software - ANOVA and SPSS.

SAMPLE

Table 2 shows the structure of the sample. According to the results of the survey among the managers of the observed wineries, dominate those with small-scale production of only one product line in 50 000 bottles per year (40% of total). 30% of studied wineries have two product lines with capacity up to 100 000 bottles per line. The rest of wineries have 3 and more product lines with range up and more than 300 000 bottles.

Table 2. Structure of the sample. Own survey, 2019.

Number of wineries	Number of product lines	Scale of product line
22 (40% of total)	up to 1	under 50 000 bottles per line
17 (30% of total)	up to 2	up to 100 000 bottles per line
9 (16% of total)	up to 3	up to 300 000 bottles per line
7 (13% of total)	more than 3	more than 300 000 bottles per line

Source: Own survey, 2010-2013.

The summarized data from the conducted survey shows that 40% of observed wineries applied small scale specialization of production, followed by 33% of those which apply large scale specialized strategy. It is obvious that wineries prefer to be more specialized (to produce one or two product lines) in their product strategy than following diversity.

Figure 3. Structure of the applied strategies. Source: Own survey, 2019
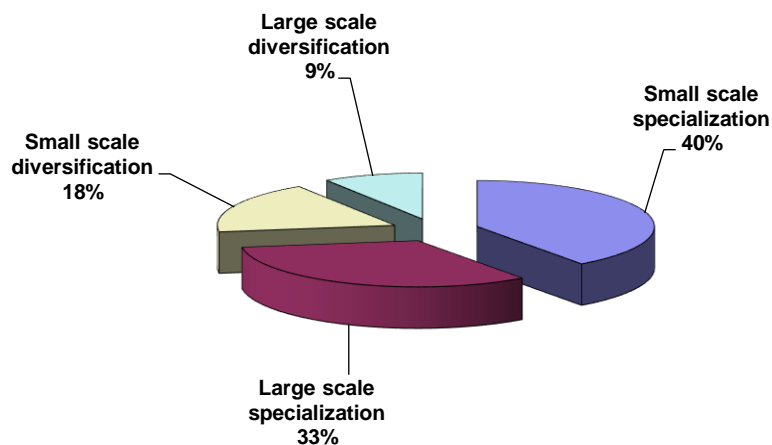
Results

Frequency distributions obtained by applying χ2- analysis reveal the impact of product strategy, which is not random relating to the market share. The results of χ2- analysis are shown in Table 3. The obtained results are at significance level $\alpha = 0,05$. The strength of the established statistical relevance is measured by the coefficient of Kramer. According to the Kramer's coefficient there is very strong relevance between large-scale diversification strategy and market share (see table 3). The statistical analysis shows that market share is determined by the strategy of diversification of product range in large-scale production. Wineries who can obtain a numerous large-scale product lines in product folio achieve faster and greater market share. Small-scaled specialized production also can lead the winery to the greater market share (Kramer's coefficient is 0,6541). There is no relation between small-scaled diversified strategy and market share. It can be summarized that applying strategies - (1) and (4) can lead to greater market share.

Table 3. Statistical verification of relation between product strategy and market share. Source: Own survey, 2019.

Type of strategy	Results of χ2- analysis	
	Is there a relevance?	Kramer's coefficient
(1) Small scale specialization	**there is**	0,6541
(2) Large scale specialization	**there is**	0,5465
(3) Small scale diversification	there is not	0,3216
(4) Large scale diversification	**there is**	0,8855

In table 4 are shown the results of regression analysis between market share and indicators, which measure the efficiency of management of studied wineries. All studied relevancies are positive which means that higher market share cause higher returns on sales, on equity and on assets of the winery. Market share has very strong impact on return of sales (see table 4, Multiple R has value 0,9524) and strong impact on returns on equity and on assets.

Table 4. Results of regression between market share and achieved efficiency. Source: Own calculation based on Methodological approach of the study

Relevance	Driver	Result	Type of relevance	Multiple R	Degree of relevance
Relevance between market share and return on sales	Market share	Return of sales	Positive	0,9524	**Very strong**
Relevance between market share and return on equity	Market share	Return of equity	Positive	0,8593	Strong
Relevance between market share and return on assets	Market share	Return of assets	Positive	0,7825	Strong

In table 5 is given the comparative analysis of the impacts of product strategies on market share and returns of studied wineries. Wineries which apply diversification on large scale as product strategy have bigger market share – 11,2%. Following strategy (3) lead to the smallest market share – 0,2%. Higher returns on sales (14,7% and 11,3%) have wineries which apply strategies – (4) and (2). Also the same strategies lead and to higher returns on equity and on assets.

Table 4. Efficiency of the different product strategies. Source: Own survey, 2019.

Type of strategy	Market share %	Return on sales %	Return on equity %	Return on assets %
(1) Small scale specialization	0,8[*]	6,7	1,02	0,01
(2) Large scale specialization	1,8	11,3	2,9	0,6
(3) Small scale diversification	0,2	-0,4	-3,5	-0,5
(4) Large scale diversification	11,2	14,7	2,1	0,8

[*] average market shares per enterprise

By using matrix approach into interpretation of the results from regression statistical analysis can be further analyzed the impact of product strategy on market power and efficiency of the management. On table 6 is shown the impact of each product strategy on change of market share and change of return on sales (between mentioned two factors there is very strong relevance according to the regression analysis, see table 4).   Wineries, which apply large-scale diversification, achieved larger market share and gain higher return of sales. This product strategy benefits market power and valorization of market power. Large-scale specialization of winery drives to increase in return of sales and decrease in market share. In other words, this strategy gives opportunity to enhance the returns on sales achieved by smaller market share.   Wineries, which follow small-scale specialization strategy achieve lower rate of returns on sales but they obtained larger market share. This means that they enhance their market power but could not benefit it with higher returns.   Following small-scale diversification as a product strategy leads to decrease in market share and return on sales.

Table 6. Matrix of market share and return on sales. Source: Own calculation, 2019

	Increase of market share	**Decrease** of market share
Increase of return on sales	(3) large scale diversification	(2) large scale specialization
Decrease of return on sales	(1) small scale specialization	(4) small scale diversification

Conclusions

The results from statistical analysis proof that product strategy has influence on market share and efficiency of management in sector. Strategy of large-scaled product lines has better ability to gain market power and returns on sales. The wineries who applied them can manage very well the economies of scale. Obtaining diversification of products also give another competitive advantage of wineries. They can cover more consumer preferences by providing them a wide selection of different

wines. The strategy of specialization leads to standardization of wine producing. Those factor benefits price leadership, which is suitable condition for gaining market share.

It can be summarized that the scale of production is the most important factor for achieving market share in sector. Applying strategy of diversification leads to greater return on sales by achieving higher market share. On the other hand, strategy of specialization can provide almost the same returns on sales by achieving less market share.

The results of empirical research show that large-scale diversification of product folio is the best product strategy according to the increase of market share and return on sales. Winery, which offers different types of wines and wine products in large-scale cover more costumer's requirements and fast gain market share also, benefits economy from large scale of production.

References

Armstrong, J.S., Collopy, F. (1997). Competitor orientation: Effects of objectives and information on managerial decisions and profitability. Journal of Marketing research, 33.

Avila, H. (1997). Evaluating the Competitive Position of an Industrial Firm, The George Washington University, Washington D.C. 1997

Bloodgood, J., Katz, J.P. (2004) Manufacturing capacity, market share and competitiveness. Competitiveness Review vol. 14, 1-2.

Borisov, P., P. Marinov (2013). Analysis of the sources of competitive advantage in the wine cluster. Scientific Works of the Agrarian University - Plovdiv, Volume LVII, p. 151-158.

Borisov, P., T. Radev. (2012). Analysis of some factors determining the market power of wine enterprises in Southern Bulgaria. Economics and management of agriculture, №1

Dimitrova, D., M. Vachevska, (2010). Analysis of trends and prospects in the development of the wine sector in 2020, In: Proceedings of the Jubilee International Conference nauchnoprakticheska "Horizon 2020 to economic knowledge and business," Volume I Academic Publishing "Tzenov", Svishtov, pp. 94-202.

Galbraith, C. (1990) Transferring Core Manufacturing Techniques in High – Tech Firms, California Management Review.

Gorynia, M. (2004). Competitiveness of Polish firms and the European Union enlargement. Competitiveness Review vol.14, 1-2.

Ivanov, N. (2013). Critical success factors on wine market in Bulgaria. Scientific works of Agricultural university of Plovdiv, vol. LVII, Plovdiv, pp.207-2011

Kotler, P. (2005). Marketing Management: Management Structure of marketing. Klasika stil, Sofia. pp.352.

Liao, J. (2005). Corporate restructuring, performance and competitiveness: An empirical examination. Competitiveness Review vol.15, 1.

Ling, X.L. (2000). An analysis of sources of competitiveness and performance of Chinese manufacturers . International Journal of Operations and Production management 20 (3), 2000.

Lockshin, L., Bruning, E. Fundamental Elements in the Definition of Organizational Competitiveness, Gestion 2000.

Martinet, A. (2010). Strategic planning, strategic management, strategic foresight: The seminal work of H. Igor Ansoff. Technological Forecasting and Social Change Volume 77, Issue 9, November 2010, pp. 1485–1487

Radev, T. (2008). Effects of marketing strategy for managing production and marketing of wine. Thesis for awarding educational and Ph.D., Plovdiv page 68.

Rajaram, V., Fitzerald, E. (2000). Firm capabilities, business strategies, customer preferences, and hypercompetitive advantages: The sustainability of competitive advantages with implications for firm competitiveness. Competitiveness Review Vol.10,1.

Tirole, J. (1988). The theory of industrial organization. Cambridge, The MIT press.

Trendafilov, R., A. Simova. Agromarketing. Bullitt, 2000, s.223

CONTRIBUTION OF INDIVIDUAL FINANCIAL INSTRUMENTS FOR BIODIVERSITY PROTECTION, IMPROVEMENT OF ECOSYSTEM SERVICES AND PROTECTION OF HABITATS AND LANDSCAPE IN THE BULGARIAN AGRICULTURAL SECTOR

Nikolaj Stefanov[1]

[1]E-mail: nikolaist@abv.bg, Agricultural University of Plovdiv, bul. "Mendeleev" 12, 4000 Trakiya, Plovdiv, Bulgaria

Abstract

The aim of the paper is to estimate the contribution of CAP on improvement of ecosystem services and protection of habitats and landscape in the Bulgarian agricultural sector. It can be concluded that the most important financial instruments in phase 1 and phase 2 of the CAP to achieve the objective - protecting biodiversity, improve ecosystem services and conservation of habitats and landscape in the sector are: Measure 211, Measure 13 and Measure 11.

Keywords: CAP, ecosystem services, landscape, habitats, agriculture

Abstrakt

Ziel des Papiers ist es, den Beitrag der GAP zur Verbesserung der Ökosystemleistungen und zum Schutz von Lebensräumen und Landschaft im bulgarischen Agrarsektor abzuschätzen. Es kann festgestellt werden, dass die wichtigsten Finanzinstrumente in Phase 1 und Phase 2 der GAP zur Erreichung des Ziels - Schutz der Biodiversität, Verbesserung der Ökosystemleistungen und Erhaltung von Lebensräumen und Landschaft in diesem Sektor - sind: Maßnahme 211, Maßnahme 13 und Maßnahme 11.

Schlüsselwörter: GAP, Ökosystemleistungen, Landschaft, Lebensräume, Landwirtschaft

Résumé

L'objectif de ce document est d'estimer la contribution de la PAC à l'amélioration des services écosystémiques et à la protection des habitats et des paysages dans le secteur agricole bulgare. On peut conclure que les instruments financiers les plus importants des phases 1 et 2 de la PAC pour atteindre l'objectif - protéger la biodiversité, améliorer les services écosystémiques et conserver les habitats et les paysages dans le secteur sont Mesure 211, Mesure 13 et Mesure 11.

Mots-clés: PAC, services écosystémiques, paysage, habitats, agriculture

ntroduction

Common Agricultural Policy (CAP) is one of the greatest part of the EU from financial point of view and affects 8.7 million farmers (Borisov, Kolaj and Yanceva, 2019). Therefore it earns much attention, several researchers are dealing with this issue. Besides the continuous communications and analyses of the European Commission (EC, 2003, 2008, 2009, 2011, 2013, 2017) which evaluates the efficiency of the financial instruments for support, (Ackrill, 2000) and (Burell and Oskam, 2000) gave a detailed overview of the first couple of decades of the CAP. Swinnen has published many books and articles on different aspects of the CAP, assessed the previous reforms (Swinnen, 2008), the future

of the direct payments (Swinnen, 2009) or its impacts on ecosystem services, protection of habitats and landscape in member states.

The aim of the paper is to estimate the contribution of CAP on improvement of ecosystem services and protection of habitats and landscape in the Bulgarian agricultural sector.

Financial assistance for the protection of biodiversity, improve ecosystem services and conservation of habitats and landscape is carried out using two approaches (post intervention) within the frame of CAP (Borisov, P., Radev and Nikolov, 2014). Financial instruments that are set for action aimed to set a framework for the sector to ensure that objective.

The first approach under the CAP emphasizes protection of biodiversity, improve ecosystem services and conservation of habitats and landscape by applying a scheme of direct payments per hectare. The second approach (pillar) is the use of financial schemes to promote investment activity in the sector for the implementation of practices that can improve ecosystem services and to protect habitats and landscape affected by activities in the agricultural sector. The second approach involves Rural Development Program (RDP), in which a specific financial instrument are set up to achieve the intended goals. In Table 1 are given the intervention tools within the CAP - 2007-2013

Table 1. Tools to support the agricultural sector to protect biodiversity, improve ecosystem services and conservation of habitats and landscape /active in the period 2014-2018/. Source: Own survey, 2019

Tools	CAP - pillar 1 and pillar 2	CAP - Pillar 2
Specific actions for protection of biodiversity, improve ecosystem services and conservation of habitats and landscape	(1) Payments to farmers for environmental constraints in mountain areas - (Measure 211, RDP 2007-2013, which is part of Pillar 2 of the CAP) (2) Payments to farmers in areas with handicaps, other than mountain areas - (Measure 212, RDP 2007-2013) (4) (Measure 213 of RDP 2007-2013) (3) Measure 10 (RDP 2014-2020) (4) Measure 11 (RDP 2014-2020) (5) Measure 12 (RDP 2014-2020) (6) Measure 13 (RDP 2014-2020) (7) Measure 14 (RDP 2014-2020)	(1) Specific sub-program of RDP 2014-2020

In the first and second phase of the CAP have the following six (6) financial mechanisms to support the agricultural sector to achieve protection of biodiversity, improve ecosystem services and conservation of habitats and landscape:

(1) Payments to farmers for environmental constraints in mountain areas - (measure 211, PRD - 2007-2013)

(2) Payments to farmers in areas with handicaps, other than mountain areas - (measure 212, RDP - 2007-2013)

(3) Natura 2000 payments (measure 211, RPD 2007-2013)

(4) Measure 10 (RDP 2014-2020)

(5) Measure 11 (RDP 2014-2020)

(6) Measure 12 (RDP 2014-2020)

(7) Measure 13 (RDP 2014-2020)

(8) Measure 14 (RDP 2014-2020)

RDP 2007-2013, the measures that can be defined as specific and fully intended to protect biodiversity, improve ecosystem services and conservation of habitats and landscape are measure 211, measures 212 and measure 213. In subsequent RDP 2014-2020 measures specifically designed to protect biodiversity, improve ecosystem services and conservation of habitats and landscape are: measure 10, measure 11 and measure 12 (first pillar for intervention of CAP) and thematic sub-program RDP 2014-2020.

Figure 1 contains information on the allocation of financial assistance for achieving the objective - protecting biodiversity, improve ecosystem services and conservation of habitats and landscape. Clearly stands out the contribution of measure 211 "Payments to farmers for environmental constraints for mountain areas" to achieve the objective. Under this measure, farms received 231 561.2 thousand BGN financial assistance. Under the measure 211 received respectively and most applications for financial assistance - 219 644 applications, 99% of them were approved and allowed to contract for financial support.

Under Measure 212 "Payments to farmers for environmental constraints in mountain areas", utilized financial resources amounted to 100 444.67. thousand BGN under measure 212 received a total of 89 610 applications for financial assistance. Of those 89 610 applications have been approved 99.5% and allowed to contract for financial assistance.
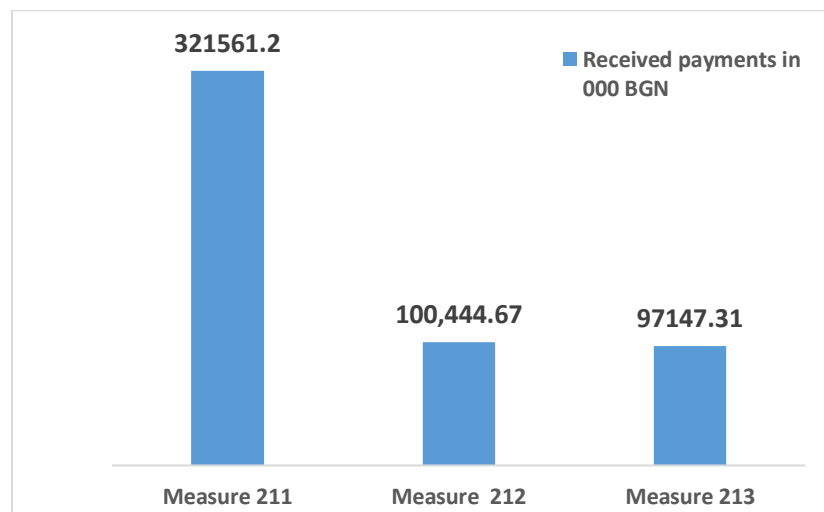

Figure 1. Payments under the measures 211, 212 and 213 of the RDP 2007-2013. Source: Data of Ministry of Agriculture, Food and Forestry - Sofia.

Under Measure 213 "Natura 2000 payments" received a total of 2427 number of applications that have been approved 2071. This measure, which is the smallest contribution in the utilization of financial assistance are payments amounting to 97 147, 31 thousand BGN. Measure 213 is the main financial instrument for financial support for establishments covered areas "Natura 2000". Bulgaria has identified 233 protected areas "Natura 2000" in accordance with the Habitats Directive (Sites of Community / SCI). Certain are 119 protected areas "Natura 2000" in accordance with the Birds Directive (Special Protection Areas / SPA). SCI and SPAs cover 41 053,2 km2 of the territory of Bulgaria, of which 38 are 231,84 km^2 onshore and 2 821,35 km^2 belong to the maritime territory. Network "Natura 2000" in Bulgaria includes 90 habitat types and 121 species other than birds - including 28 priority habitats and 8 priority species and 120 birds and 70 migratory birds. The land part of "Natura 2000" for the birds is almost complete.

Figure 2 contains information on the amounts paid by individual measures (M10, M11, M12, M13 and M14) covered in the first pillar of the CAP (2014-2020). With the most important intervention in the sector (direct payments per hectare) stands measure 13 "Payments to areas facing natural or other specific constraints". Under this measure are paid 268 966 thousand BGN, which is 38% of total disbursements under the 5 above mentioned measures. With almost equal contribution to achieving the objectives are M10 and M11. In M10, the paid funds are 145 520 thousand BGN, and M11 - 145 970 thousand BGN. The lowest contribution stands M14, namely under this measure are paid 3 885 thousand BGN (this measure is intended for forestry, where the majority of beneficiaries are state structures)
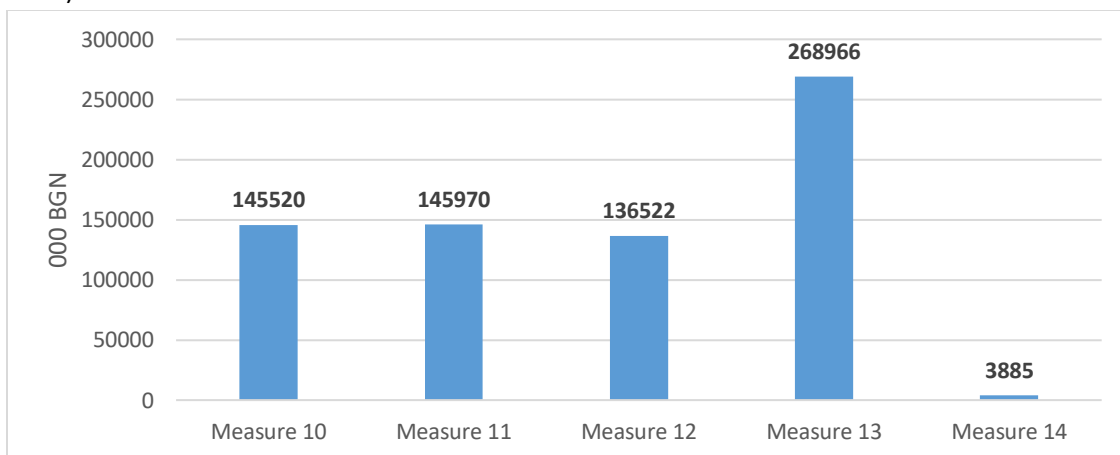

Figure 2. Paid financial assistance (in 000 BGN) under the various measures of the first pillar (phase 2014-2020) to support the agricultural sector. Source: Data of Ministry of Agriculture, Food and Forestry - Sofia.

In measure 10 of the first pillar of the CAP from 2014 to 2020 are covered six (6) lines of intervention for achieving the objectives. Figure 3 contains information about the number of received and approved applications for assistance in these six areas.
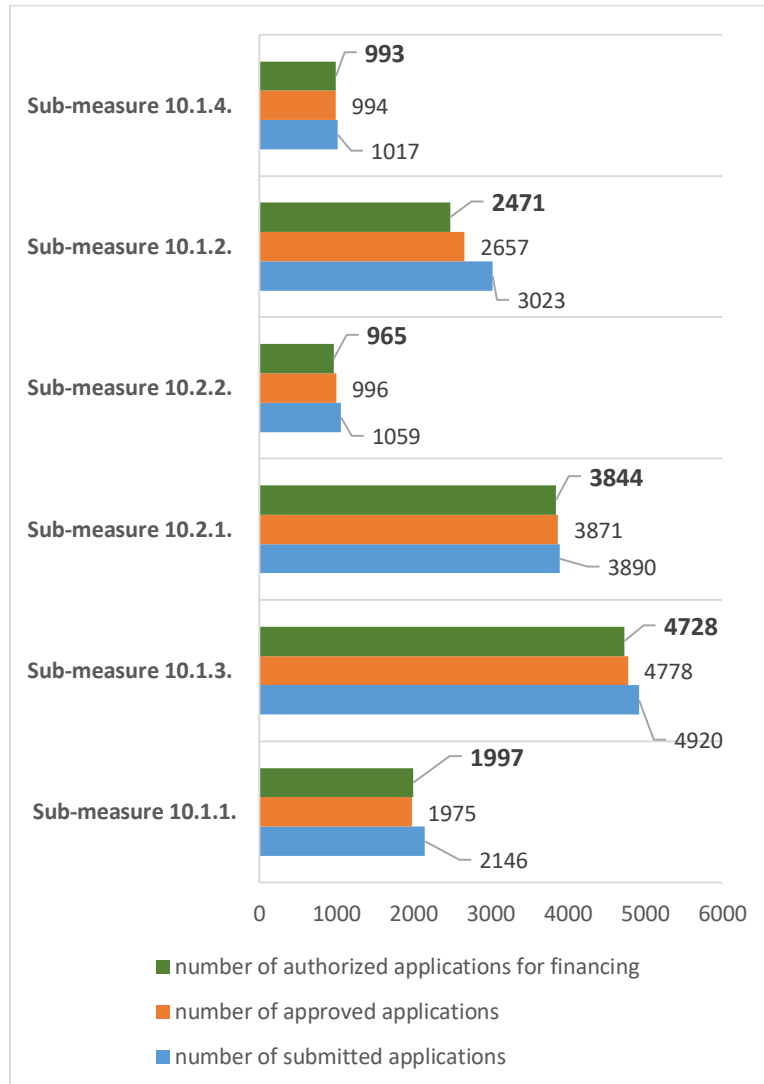
Figure 3. Number of applications approved and authorized for payment within the measure 10. Source: Data of Ministry of Agriculture, Food and Forestry - Sofia.

The data show that the greatest interest of farmers are in two areas: (1) Soil erosion control and (2) The protection of endangered local varieties important for agriculture. In the first direction are applied 4920 applications, 4729 of which have received authorization for payment to the applicant. The second direction were applied 3890 applications, of which 3844 applications were approved for funding. With the slightest interest among farmers are determined direction "Traditional practices for seasonal grazing." Within this strand of measure 10 received only 1017 applications, of which 993 were approved.

Although it has the greatest interest in the directions "Soil erosion control" and "Conservation of endangered local varieties for farming," according to data of Ministry of Agriculture, Food and Forestry the number of submitted and approved applications, the highest rate of assisted areas within M10 is achieved by direction "Maintenance of habitats of protected species in arable land with ornithological importance." Within this area, the aided area amounted to 330 865 thousand ha (see Figure 4).
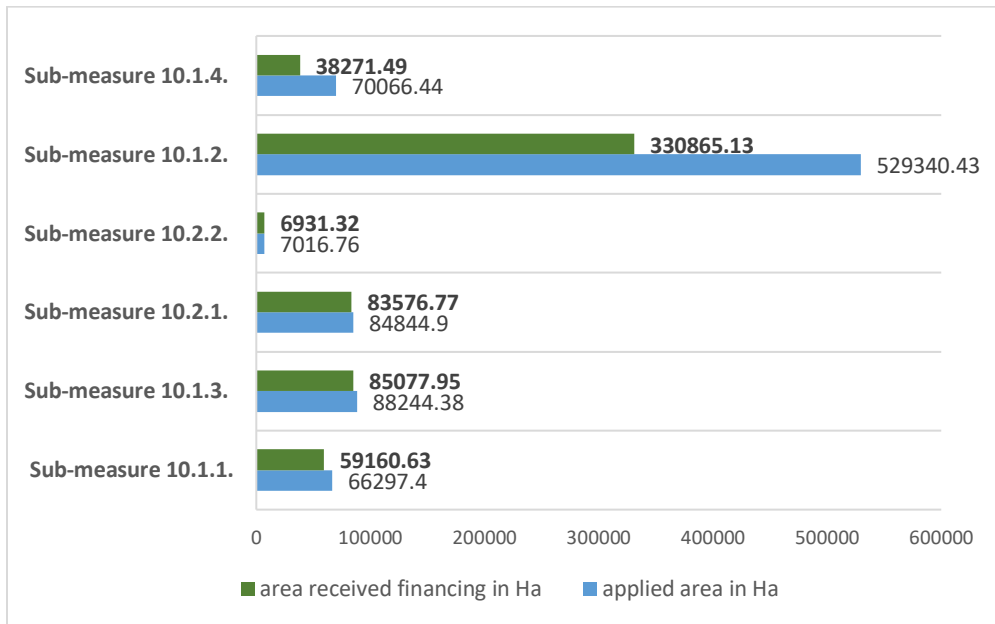
Figure 4. Size assisted area under measure 10 (on separate sub-measires). Source: Data of Ministry of Agriculture, Food and Forestry - Sofia.

Figure 5 provides information on the amounts paid in different directions enshrined in measure 10. According to the criterion - paid financial assistance largest contribution in the use of M10 has a direction "" Keeping the habitat of protected species in arable land with ornithological importance. " Within this direction were paid 48 321 thousand. Lev farmers. Also significant contribution stands and direction "Control of soil erosion" of money amounting to 35 822 thousand. Lev.
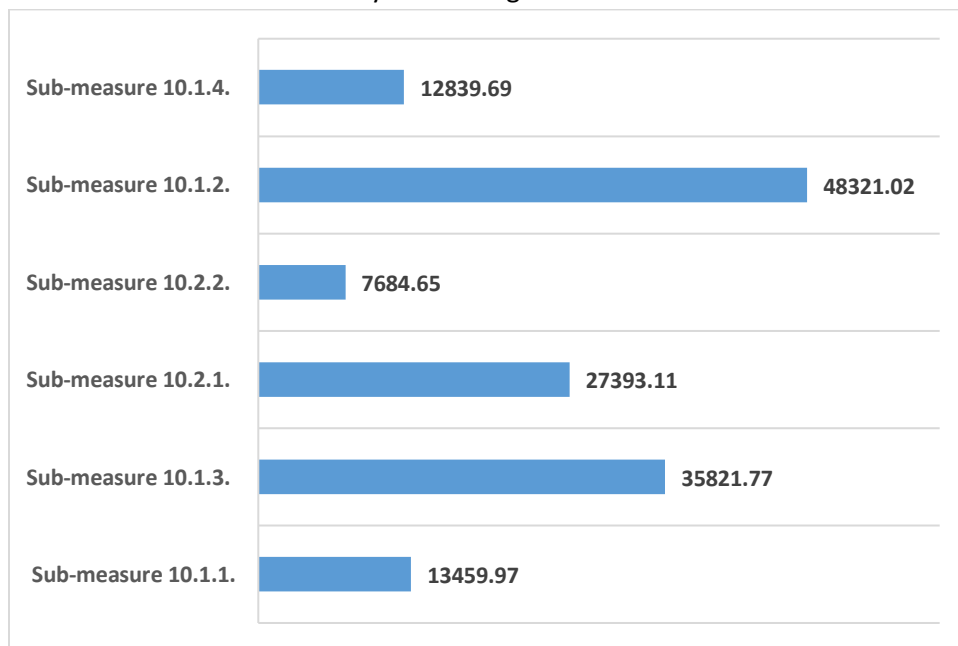
Figure 5. Paid financial assistance (in 000 BGN) for each sub-measure within measure 10. Source: Data of Ministry of Agriculture, Food and Forestry - Sofia.

Conslusions

It can be concluded that the most important financial instruments in phase 1 and phase 2 of the CAP to achieve the objective - protecting biodiversity, improve ecosystem services and conservation of habitats and landscape in the sector are:

- Measure 211 "Payments to farmers for environmental constraints for mountain areas" to achieve the objective. Under this measure, farms received 231 561.2 thousand. Lev financial assistance, this measure received respectively and most applications for financial assistance - 219 644 applications, 99% of them have been approved;

- Measure 13 "Payments to areas facing natural or other specific constraints". Under this measure are paid 268 966 thousand BGN, which is 38% of total disbursements under the 5 specific measures (m 10, M11, M12, M13, M14) in the RDP 2014-2020;

- Measure 11 is the second most important measure under the first pillar of the CAP from 2014 to 2020. By this measure are utilized most funds after measure 13. The main financial contribution is implemented through sub-measure 11.1"Payments for conversion to organic farming";

- Measure 10. The largest contribution to the implementation of the measure is the direction "" Keeping the habitat of protected species in arable land with ornithological importance."

References

Ackrill, R. (2000) Common Agricultural Policy. Contemporary European Studies 9, Sheffi eld Academic Press, p. 244.

Borisov, P., R. Kolaj, S. Yancheva, C. Yancheva (2019). Influence of common agriculture policy on Bulgarian agriculture. Bulgarian Journal of Agricultural Science, 2019 vol. 25 (No.3), 439-447 pp.

Borisov, P., Radev T. & Nikolov, D., (2014). Analysis of the strategic factors for the development of small agricultural farms in Bulgaria, Economics and Management of Agriculture, 2

Burell, A. & Oskam, A. eds. (2000): Agricultural policy and enlargement of the European Union. Wageningen Pers., Wageningen, The Netherlands, pp. 53-68.

EC (2003) Council Regulation No. 1782/2003 of 29 September 2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers.

EC (2008) Commission Regulation No. 1242/2008 of 8 December 2008 establishing a Community typology for agricultural holdings.

EC (2009a) Council Regulation No. 73/2009 of 19 January 2009 establishing common rules for direct support schemes for farmers under the common agricultural policy and establishing certain support schemes for farmers.

EC (2009b) Health Check" of the Common Agricultural Policy. http://ec.europa.eu/agriculture/healthcheck/index_en.htm

EC (2011a) Common Agricultural Policy towards 2020. Commission Staff Working Paper, SEC(2011) 1153, Brussels, Belgium.

EC (2011b) Average direct payments per hectare for the year 2017 – existing legislation – data to use. 12734/11, Brussels, Belgium.

EC (2013) European Parliament and of the Council Regulation No. 1307/2013 of 17 December 2013 establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and repealing Council Regulation No. 637/2008 and No. 73/2009.

EC (2017a): Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee 61of the Regions. The Future of Food and Farming. COM(2017) 713 final, Brussels, Belgium.

EC (2017b): Report on the distribution of direct payments to agricultural producers (financial year 2016). Ref. Ares (2017)5942828, Brussels, Belgium.

MAF (2010) Preliminary Data Census for Bulgarian farmers for 2010, published by MAF.

MAF (2013) Agriculture in Bulgaria, published by MAF.

Swinnen, J. F. M. (2009) On the Future of Direct Payments. Paper presented at the BEPA Workshop. February 26, 2009, European Commission, Brussels.

Swinnen, J. F. M. ed. (2008) The Perfect Storm: The Political Economy of the Fischler Reforms of the Common Agricultural Policy, CEPS, Brussels, p. 192.

DRIVERS OF THE ECONOMIC PERFORMANCE OF BULGARIAN WINERIES. ASSESTMENT BASED ON DUPONT ANALYSIS

Peter Borisov[1], Teodor Radev[1]

[1] E-mail: peterborisov@gmail.com, Agricultural University of Plovdiv, bul. "Mendeleev" 12, 4000 Trakiya, Plovdiv, Bulgaria

Abstract

The achievement and improvement of economic rent ability of enterprise is true measure of management efficiency. The return of sales and turnover of the assets of enterprise are the basic divers of economic rent ability. The purpose of current research is to be valuated and determined all factors which are drivers of economic rent ability of wineries from south Bulgaria. The DuPont approach is used for valuation of all drivers of economic rent ability. The results of research show that the return of sales is a key driver which determines economic rent ability of wineries.

Key words: dupont analysis, return of sales, turnover of assets, wineries

Abstrakt

Die Erreichung und Verbesserung der wirtschaftlichen Rentabilität von Unternehmen ist ein wahres Maß für die Effizienz des Managements. Die Umsatzrendite und der Umsatz des Unternehmensvermögens sind die grundlegenden Faktoren der wirtschaftlichen Rentabilität. Der Zweck der aktuellen Forschung ist es, alle Faktoren zu bewerten und zu bestimmen, die die wirtschaftliche Rentabilität der Weinkellereien aus Südbulgarien bestimmen. Der DuPont-Ansatz wird für die Bewertung aller Faktoren der wirtschaftlichen Pachtfähigkeit verwendet. Die Ergebnisse der Forschung zeigen, dass die Umsatzrendite ein Schlüsselfaktor ist, der die wirtschaftliche Pachtfähigkeit von Weinkellereien bestimmt.

Schlüsselwörter: Dupont-Analyse, Umsatzrendite, Vermögensumschlag, Weingüter

Résumé

La réalisation et l'amélioration de la capacité de rente économique des entreprises est une véritable mesure de l'efficacité de la gestion. Le rendement des ventes et le chiffre d'affaires des actifs de l'entreprise sont les principaux éléments de la capacité de rente économique. L'objectif de la recherche actuelle est d'évaluer et de déterminer tous les facteurs qui sont les moteurs de la capacité de rente économique des caves du sud de la Bulgarie. L'approche de DuPont est utilisée pour évaluer tous les facteurs de la capacité de rente économique. Les résultats de la recherche montrent que le rendement des ventes est un facteur clé qui détermine la capacité de rente économique des établissements vinicoles.

Mots clés: analyse de DuPont, rendement des ventes, rotation des actifs, caves

ntroduction

Wine sector is one of the main export-oriented sectors of agriculture in Bulgaria. He is also one of the few agricultural sectors which managed to absorb significant financial resources from the EU funds. Due to the effects of SAPARD and later the Rural Development Program (207-2013 and 2014-2020) of the Republic of Bulgaria the majority of the wine enterprises were able to build a market-oriented varietal structure of its vineyards and meet the requirements of the market. As a result, investment and economic profitability of the sector increase (Borisov, Marinov, 2013). Achieving and maintaining a growing economic profitability is one of the main characteristics of the effectiveness of enterprise management (. Each enterprise needs to be able to settle with their owners (shareholders) and also with its creditors. This requires management to strive to maintain the rate of return on capital employed that is higher than the cost of the same. Overall economic profitability is determined by the profitability of sales and turnover of assets. Knowing the dependence of these two factors, the economic profitability, management can neutralize a possible reduction of profitability of sales by increasing the turnover of capital.

The objective of this study is to analyze and assess the impact of the drivers of economic profitability of wine enterprises in Southern Bulgaria.

The research involve all 55 wine enterprises in Southern Bulgaria. We use the approach DuPont analysis to evaluate the factors determining the economic viability of the enterprise (Sabatthe, 1999). According to this approach, economic viability is determined as follows:

(1) RE = ROS x TA

RE - economic rent ability;

ROS - return on sales

TA - turnover of assets.

The main factors determining the profitability of sales are:

The level of market price;
Costs of production.

Key factors that determine the turnover of capital invested in the assets of the company are:

o   Sales volume;
o   Size of capital.

The direction of influence of factors on the profitability of the sales turnover of assets and economic profitability as used theoretical approach is shown in Figure 1.

Figure 1. Type of relevance of factors which influence economic rent ability according to Dupon approach. Source: Sabatthe, 1999.
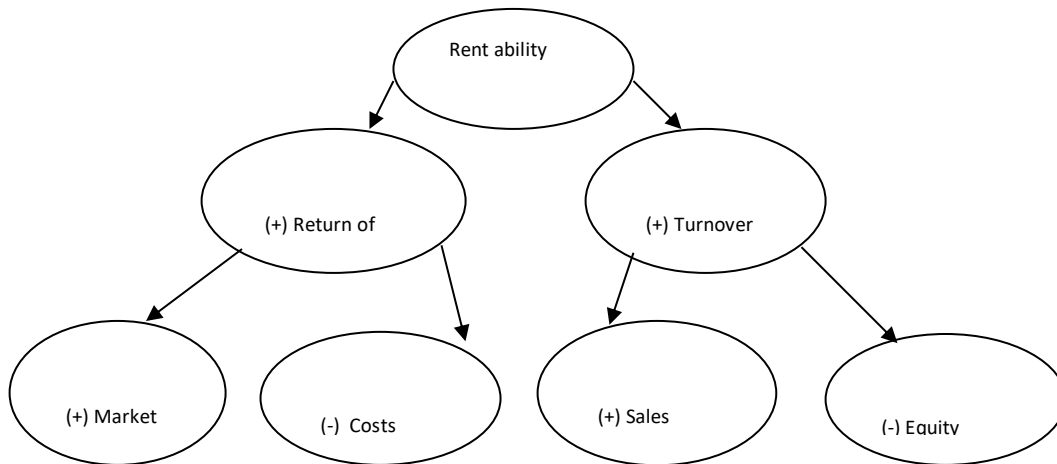
Used statistical method - a simple correlation between the two factors to determine the strength and direction of impact factors on the economic profitability of wine enterprises. The aim is to demonstrate the conceptual thesis that economic profitability is influenced by the profitability of sales and turnover of assets in the wine enterprises.

Statistical analysis is performed in the following stages:

- Analysis and evaluation of the strength and direction of influence of drivers- market price; costs of production and sales on outcome indicator – "Return on sales";
- Analysis and evaluation of the strength and direction of influence of drivers- sales; amount of capital on outcome indicator – "Return on assets";
- Analysis and evaluation of the strength and direction of influence of drivers - profitability of sales; asset turnover on outcome indicator – "Economic rentability of the enterprise".

For purposes of analysis we use data from official accounting records (for the period 2010-2019.) - balance sheet, plan income and expenditure plan, statement of cash flows. Data processing and analyzing the dependencies are performed with SPSS software and MS Excel.

Results

Table 1 sets out the results of the correlation analysis of the factors influencing the profitability of sales of wine enterprises. It was found that the cost of implementation and the cost of production and sales slightly affect the profitability of sales. Correlation coefficients of these two indicators are very low, respectively - 0.07 (for market price) and 0.09 (for the cost of production and sales).

Unlike the theoretical model, the results of the study show that between production costs and selling and profitability of sales there is a positive relevance. In the wine sector, where competition is saturated, the increase in sales was achieved by applying a marketing management approach. This

requires making larger marketing costs by the management of wine enterprise, which aims to increase sales volume, respectively, and the proceeds thereof. These findings lead to the conclusion that the surveyed wine companies can not demonstrate a statistically significant correlation between the studied parameters.

Table 1. Statistical relevance between market price and returns on sales; production costs and return on sales. Source: own survey among 55 wine enterprises, 2019.

Statistical indicators	Driver - market price (BGN / bottle)	Driver - production and sales costs in thousands BGN
Multiple R	0.074196	0.087891
R square	0.005505	0.007725
Adjusted R Square	-0.01326	-0.011
Degree of relevance	weak	weak
Type of relevance	(+) / postitive	(+) / positive
Regression coefficient b0	-1.10805	-0.8016
Regression coefficient b1	0.040495	2,56E-05

Table 2 is exposed statistical evaluation of the impact of sales and capital on turnover of assets. The asset turnover of wine enterprises increased by increasing the volume of sales, but this dependence is very weak. Apparently others, various factors affect turnover of assets. The speed of turnover of invested capital is determined by the period of "maturation" of the now viewed as a stage of its life cycle. Another factor that may also affect the turnover of the assets of the wine enterprise is the age structure of vineyards. Investments in vineyards are characterized by a long period of "frozen capital". As a productive asset vineyards its turn after the fourth year of planting. Most wine companies managed to improve the age structure of possess them vineyards thanks to EU financial assistance in the sector. However, this reflects on a lower return on invested capital.

According to the theoretical model the amount of capital invested should have a negative impact on turnover of assets. Perform research shows straight relevance between these two factors. Degree of dependence is weak. This can be explained by the increase in fixed capital, which is required in achieving the production of higher quality products. Wine enterprises due to the highly competitive environment rely on product policy as it takes place mainly product quality. This leads to more sales. The

growth in sales explains the positive impact of invested capital on turnover of assets in the wine enterprises.

Table 2. Statistical relevance between: sales and turnover of assets; equity and turnover of assets. Source: own survey among 55 wine enterprises, 2019.

Statistical indicators	Driver - total sales in thousands BGN	Driver - equity in thousands BGN
Multiple R	0.131516	0.18313
R square	0.017297	0.033537
Adjusted R Square	-0.00125	0.015301
Degree of relevance	weak	weak
Type of relevance	(+) / positive	(+) / positive
Regression coefficient b0	-3.70422	-3.82306
Regression coefficient b1	0.000176	0.0002

Table 3 shows the results of the last stage of the statistical analysis of the factors influencing the economic profitability of wine enterprises.

It was found that the profitability of sales impact greatly on the economic profitability, respectively, the correlation coefficient is 0.96. The established relationship between examined factors is positive. With the increase in the profitability of sales by 1%, the Return of wine enterprises grew by 0.96%. Explore the relevance between the turnover of assets and economic profitability is also positive. With growth of turnover of assets by 0.8%, the return grew by 1%. This gives reason to believe that on raising the economic profitability of businesses affect profitability as sales and turnover of assets.

Table 3. Statistical relevance between return of sales and economic rent ability; turnover of assets and economic rent ability. Source: own survey among 55 wine enterprises, 2019.

Statistical indicators	Driver - return of sales%	Driver - turnover of assets
Multiple R	0.955785	0.800742
R square	0.913525	0.641188
Adjusted R Square	0.911894	0.634418
Degree of relevance	very strong	strong
Type of relevance	postive	postive
Regression coefficient b0	-11.8839	-2.72245
Regression coefficient b1	76.2729	14.5332

Conclucion

The economic profitability of wine enterprises in most largely determined by the impact the profitability of sales and turnover of assets. Profitability of sales is the main determinant of economic profitability of enterprises. It is influenced by the amount of incurred marketing costs in the sector. The focus is to develop and follow an adequate product and pricing policy. The product policy wine enterprises paramount importance is maintaining the quality of the final product, but in the price right down the psychological price. Maintaining the quality of the products requires an increase of fixedt capital used in production, which results in higher fixed costs that need to be consistent with market price.

References

Sabatthe, F., 1999. Strategic Management. University Press "Economy". Sofia 1999.114-115.

Borisov, P., and P. Marinov (2013). Evaluation of competitive advantages of wine cluster. Scientific Papers of the Agricultural University - Plovdiv, Volume LVII, pp. 151-158.

The Journal of Bio-based Marketing is not – profit organization situated in town of Plovdiv, Bulgaria.

The prime goal of the journal is to support the publishing activity and career development of young professionals in the field of bio-based marketing. The target are young experts, advisory agents, students and academic staff who is involved in the marketing process of bio-based products.