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Sustainability of competitive positioning and challenges for intermediaries in the new car market in Bulgaria

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Abstract. The market of new cars in Bulgaria is well developed, but relatively poorly studied. In the turbulent present-day reality, competition dynamics causes constant change in the markets' positioning map that is built on an ambiguous set of rivals, metrics and sources of advantage. The paper assesses the sustainability of competitive positions of the five biggest new car importers in Bulgaria for the period of 2015–2019 and discusses the challenges they face. The methodological basis of the study includes the theoretical aspects of competitive positioning, benchmarking and competitive advantages of firms. Methods of descriptive analysis, financial ratio analysis, DuPont and SGR analysis are used to evaluate positions of enterprises by 11 key result indicators. The research results indicate a permanence in intermediaries' positions in the Bulgarian car market and relatively even distribution of their performance indicators. Among the major challenges facing the leaders in the automobile industry are low margins, high cost of sales and a necessity for better inventory management. To rectify the problems, the author puts forward proposals concerning the development of the car business, which include formulating the differentiation strategy aimed at both the car brand and commercial services, transforming the traditional business model into an omni-channel one, and increasing the attractiveness of the pricing and logistics strategy and the strategy of diversification. The current research can be of interest to car intermediaries in Bulgaria and other countries as well as serve as a basis for a more comprehensive and in-depth study into the competitiveness of the Bulgarian automobile market and firms.

Keywords: sustainable positioning; car intermediaries; competitive advantage; competitiveness; car market; Bulgaria.

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Устойчивость конкурентного позиционирования и вызовы для импортеров автомобилей в Болгарии

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Аннотация. Автомобильный рынок Болгарии хорошо развит, но недостаточно изучен. В условиях турбулентности конкурентная динамика непрерывно меняет карту рыночного позиционирования и ставит под сомнение возможность его устойчивого функционирования. Исследователи пока не пришли к консенсусу относительно индикаторов результативности, источников преимуществ и состава конкурентов, на основе которых определяется позиционирование фирм. Статья посвящена оценке устойчивости конкурентных позиций на примере пяти основных импортеров автомобилей в Болгарии в 2015–2019 гг. Методологическая база исследования включает теоретические аспекты конкурентного позиционирования, бенчмаркинга и конкурентных преимуществ предприятий. Используются методы дескриптивного и DuPont анализа, а также анализа уровня устойчивого роста для оценки позиций фирм по одиннадцати ключевым показателям результативности. Полученные данные свидетельствуют о стабильности позиций и равномерности в распределении индикаторов результативности импортеров автомобилей в Болгарии. Основные проблемы деятельности лидеров автомобильного рынка связаны с низкими показателями валовой, операционной и чистой прибыли от реализации автомобилей, их высокой себестоимостью и необходимостью более эффективного управления запасами. Представлены предложения по усовершенствованию автомобильного бизнеса, включающие стратегию дифференциации, направленную как на автомобильный бренд, так и на коммерческие услуги; замену традиционной бизнес-модели на омниканальную; повышение привлекательности ценовой и логистической стратегий и стратегии диверсификации. Исследование может представлять интерес для импортеров автомобилей в Болгарии и стать основой для более углубленного и детального анализа конкурентоспособности автомобильного рынка и фирм.

Ключевые слова: устойчивое позиционирование; импортеры автомобилей; конкурентное преимущество; конкурентоспособность; рынок автомобилей; Болгария.

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INTRODUCTION

Competition has been and will be a driving force for the innovative development of every business, industry and economy. The processes of globalization and digitalization as well as the current global pandemic environment intensify the fight for market survival and growth. The enterprises unable to keep pace with trends, adapt and respond to the current situation and changes are put out of business by more innovative competitors. The existence of economic agents is becoming less dependent on experience as time goes by. There is an increase in importance of forecasting, adapting and having an unexpected reaction while the systematic competitive analysis forms are the basis for creating a sustainable competitive advantage.

Researchers, strategists and managers are constantly looking for a recipe to achieve a favorable market presence and reach superior performance. The necessity for systematic monitoring and benchmarking of the competitive position, which is used to indicate the presence or absence of competitive advantages and to provide an adequate avenue for the improvement of the external environment and the internal strong and weak aspects, have been unanimously accepted in strategic literature. In contrast, the questions that remain the subject of open discussion are the ones related to the number and composition of the positioning indicators, the method used and the content of competitive advantages, their dependence on the final results, the type of competitor used for comparison and even the meaning of the term "sustainability". In view of the difficulties of competitive intelligence and the informational fog surrounding the necessary information, the author analyzes the key result indicators (KRIs) of a financial nature as a method for quick, easy, accurate and constant positioning. It indicates the power of the enterprise compared to its competitors and helps overcome the risk of management blindness when it comes to choosing a strategic alternative.

The object of analysis is the new car market in Bulgaria and more specifically the five biggest car importers, which are merchant intermediaries and have exclusive distribution rights for a set automobile brand in a particular territory. While the automotive industry is a highly concentrated market with an oligopolistic structure and vital significance for the economies of not just the country of manufacture but also on a global scale, and is a subject of numerous studies, the activity of new car intermediaries in Bulgaria remains on the sidelines when it comes to research interest. Due to the strong vertical integration of manufacturers which provides an opportunity to reduce the intensity of competition between the brands and fixes higher prices of automobiles, repair and maintenance services [Sudhir, 2001], the Bulgarian new car market has acquired medium to high concentration and the established market positions of the five analyzed importers are significant for its development.

The lack of studies or their subject limitations provokes the interest of the author of this paper, the purpose of which is to determine the positions of the five most influential new car importers by KRIs for the period of 2015–2019, their sustainability and the challenges faced by their business.

THEORETICAL ASPECTS OF COMPETITIVE POSITIONING AND ITS SUSTAINABILITY

The competitive positioning of the enterprise is connected to its standing compared to direct competitors (a group of enterprises that function in a single industry and have the same subject of activity) [Porter, 1979]. The evaluation of that position is the starting point to make a proper management decision, which is founded on the situation in the industry and the strengths and weaknesses of the enterprise in relation to its rivals [Bloodgood, Bauerschmidt, 2002]. If the study of the competitive position is not conducted on a permanent basis, regardless of reason (there is not enough information, the tactics and strengths of the competitors cannot be recognized, the opposition is not viewed as a threat or the management has incorrect assumptions) there will be a loss of profitability. From this viewpoint, the competitive position is inherently associated with the competitive advantages since it helps identify them, which is a result of past strategic decisions of the enterprise and a factor in making such in the future.

What would be the kind of advantages that would push companies to the top of the "food chain" in the competitive market? This question has been discussed by researchers, managers and third parties for the last 30–40 years. The existing competitive advantage is regarded as the heart of firm performance [Rumelt, Kunin, 2003] because of the heterogeneity of the firms in the market and the differing method of leading a competitive struggle but its contents are ambiguously set. According to the market-based view, a company that offers a higher customer value than the selling expenses or the lower price of the products compared to the competition generates a competitive advantage of differentiation or a cost advantage which along with the mechanisms of protection from market forces provides superior performances [Porter, 1979, 1998; Caves, Porter, 1977; Makhija, 2003]. According to another frequently used theory – the resource-based view – the difference in company's performances and the guarantee for sustainability of the favorable results is not owed to market strategies. Firms with unique resource possession (tangible and intangible) distinguished concurrently by value, rareness, inimitability and non-substitutability can guarantee their positions [Rumelt, 1991; Barney, 1991, 2000; Grant, 1991; Lockett, Thompson, 2001; Peteraf, 1993]. A competitive advantage can also be viewed as knowledge and information [Abubakara et al., 2019] and relational rents [Dyer, Singh, 1998; Zhanga, Li,

Li, 2017]. In the modern age, the universal source of success in business turns out to be the dynamic capabilities [Proff, Fojcik, 2011; Smith, Ferrier, Ndofofor, 2005; Nilsson, Rapp, 2005; Eisenhardt, Martin, 2000; Ndofofor, Sirmon, He, 2011] and digitalization [Koch, Windsperger, 2017]. The customer is considered the king of today's market, and as one, they make the rules of the game. The symbiosis of the business model of enterprises with customer requirements represents the base of what is needed to acquire the lion's share of business. The creation and planning of a strategy is not enough to achieve competitiveness. Dynamic managerial skills are needed to adapt and build a complete business model, which is to protect and reward the existing results and resources [Teece, 2018, Haseeb et al., 2019]. The differences in outlooks on a competitive advantage determine the dissimilarities of competitive positioning indicators and the methods used. The advantages have no universal character, and are dependent on the context and specifics of the industry and time period [Ma, 2000; Hristova-Petkova, 2012].

The dynamism of market relations calls into question the validity of the term "sustainability" in the competitive positioning of the firms. A sustainable position is the one that is favorable and maintained for an extended period of time due to "isolation mechanisms" designed to ward off competitor attempts to overtake the business [Hristova-Petkova, 2012; Smith, Ferrier, Ndofofor, 2005; Porter, 1998]. In an attempt to acquire it, enterprises try to hide the data related to accomplished results and actions undertaken. They also aim to accrue firm know-how and first-mover advantage, initiate aggressive attacks to push out their opposition, integrate digital systems of analysis of data on clients, changes in environment, competitors and internal company measures (big data analysis) [Sivarajah et al., 2017]. All of this is a small part of the uninterrupted process of searching for competitive advantages, acquiring a winning position, defending it from competitors and market forces. While classical literature in the area of strategic management and industrial organization determines the presence of an advantage that could provide sustainability for an extended period, modern times reflect the static character of these viewpoints [Proff, Fojcik, 2011; Cockburn, Henderson, Stern, 2000; Koch, Windsperger, 2017]. Sustainability is a result of continuous accumulation of competitive advantages that are different in nature [D'Aveni, Dagnino, Smith, 2010]. Its accomplishment is indicated by the obtained results in different points of time and imposes a comparison between what is achieved and what is planned.

The directly proportional dependency between the acquired advantages and the produced effects, regardless if they are Monopoly, Ricardian or Schumpeterian also happen to be a topic of discussion. The traditional view is that it exists [Guimarães, Severo, Vasconcelos, 2017; Barney, 1991; Porter, 1998], however there are other observations [Ma, 2000; Powell, 2001]. The question on

whether the firm (1) can reach better outcomes without possessing a competitive advantage or (2) if it can have an advantage without obtaining the results is up to discussion. The first case assumes the possibility for a state intervention in the markets, the "luck" factor or the impact of random environmental factors. The second case is possible if the enterprise has a single advantage, the potential of it is not realized, does not have any good combinations of advantages and if the management has not marked its presence [Ma, 2000]. Deteriorating management is the reason in both cases. For this purpose, the constant benchmarking of the position gives a serious advantage to the companies since it reduces the risk of incorrect management decisions and increases the possibility for sustaining favorable results.

There is a wide range of methods applied extensively in strategic literature to conduct a competitive analysis [Bensussan, Flaysher, 2009]. A basis for a competitive benchmark can be values of all kinds that can discerned after comparing the firm to others of its industry. The questions which seek resolution are: (1) in regards to whom is there to be carried out a comparison; (2) from whose viewpoint the competitive position is to be evaluated; (3) what kind of selection of indicators to be used. Competitors in the fight for the industry's income could be companies with the same subject of activity and those in the strategic group, as well as suppliers, buyers, substitutes and new entrants [Porter, 1998]. Benchmarking, when compared to each of them, would add the most informative and in-depth character, however it would require the most time and resources. That predetermines direct rivals as the biggest threat when it comes to firm income and as a result provides a base for comparison. The client-oriented model for business management and its market orientation are the cornerstone of what is needed to analyze the position from the perspective of the so-called customer value added [Parniangtong, 2017]. From another point of view, consumer assessment ultimately reflects on the market power and profitability of companies, which according to the author gives a higher value of the manager or expert's evaluation of the competitive positioning.

The number and content of indicators of comparison is one of the most crucial issues. The continuous monitoring of key indicators is a fundamental principle of management because it allows the firm to develop its activity through the right strategy and to motivate the execution of the set goals [Velimirović, Velimirović, Stanković, 2011]. In the context of competitive benchmarking and the conducted literature analysis, it is concluded that the resulting measures directly relate to attaining competitive advantages and the accomplishment of strategic goals. The adequate management's reaction is a key factor of success in competitive rivalries, which requires a choice of an optimal number of parameters, which will provide complete information, will be relatively easy, quick in

their application, and cost-effective. Such are the metrics with a financial nature [Venkatraman, Ramanujam, 1987; Day, Wensley, 1988].

The widely recognized role of competitive benchmarking is aided by the necessity of a cumbersome process of competitive intelligence, market uncertainty, delays in the process of searching for competitive advantages and a risk of not reaching favorable results for an extended period. The manager much like a good chef has to rely on the acquired indicators and supply the dish with the necessary ingredients or to cook it in a different way with proper components, sorted by type, amount and quality.

THE METHODOLOGY OF KRIs USE FOR COMPETITIVE POSITIONING OF THE NEW CAR INTERMEDIARIES IN BULGARIA

This research aims to answer the question as to what the place of the market's companies is in light of the 11 KRIs with a financial nature. The financial measures alongside with the market share are the most visible type of information of rivals, it's easy and relatively quick to analyze, and it displays the sustainability of the realized positions and the challenges the business faces when trying to improve them. The research uses hard data from annual financial statements of the Top 5 new car importers in Bulgaria from 2015 to 2019.

When choosing positioning measures, the author justifies their use based on their relevance to the business, the necessity of covering different sides of competitor activity, their informative value while evaluating the strengths and weaknesses and the availability of competitive advantages. Table 1 shows the KRIs used.

Market share (MS) is used extremely often, a non-financial metric that represents market success, strength and preferability of the company by the customer base. It is a starting point to calculate the market concentration ratio (CR) with its high values ($CR_4 > 50$) reducing the effect of free competition, giving market power to the firms and therefore increasing the possibility for cooperation. At the same time, the size of the company is not always a guarantee of bigger financial gain. Hence, the use of only this indicator for competitive positioning is not accurate and informative enough.

Profitability indicators represent the income received from the realized revenues, the incurred expenses, the used resources and the invested capital. GPM measures the revenue realized in sales after deducting the value of the products received by suppliers. Its higher value leads to lower bargaining power of suppliers, a higher revenue and trade margin, selling goods at higher prices or bigger volume at low prices. When the use of operating expenses is optimal, the high value of GPM reflects on the higher

Table 1 – KRIs used for competitive positioning of new car intermediaries*
Таблица 1 – Ключевые индикаторы результативности, использованные для конкурентного позиционирования импортеров автомобилей

Indicator	Formula
Market share (MS), %	$MS = \frac{\text{Sales (units)}}{\text{Total market sales (units)}} \times 100$ (1)
Gross profit margin (GPM), %	$GPM = \frac{\text{Gross profit}}{\text{Revenue}} \times 100 = \frac{\text{Revenue} - \text{Cost of sales}}{\text{Revenue}} \times 100$ (2)
Operating profit margin (OPM), %	$OPM = \frac{\text{Operating profit}}{\text{Revenue}} \times 100$ (3)
Net profit margin (NPM), %	$NPM = \frac{\text{Net income}}{\text{Revenue}} \times 100$ (4)
Cost of goods sold ratio (COGSR), %	$COGSR = \frac{\text{Cost of goods sold}}{\text{Revenue}} \times 100$ (5)
Total assets turnover (TAT), number	$TAT = \frac{\text{Revenue}}{\text{Average assets}}$ (6)
Inventory turnover (IT), number	$IT = \frac{\text{Revenue}}{\text{Average inventory}}$ (7)
Return on assets (ROA), %	$ROA = \frac{\text{Net income}}{\text{Average assets}} \times 100$ (8)
Equity multiplier (EM), BGN	$EM = \frac{\text{Average assets}}{\text{Average equity}}$ (9)
Return on equity (ROE), %	$ROE = \frac{\text{Net income}}{\text{Average equity}} \times 100$ (10)
DuPont, %	$ROE = ROA \times EM = NPM \times TAT \times EM$ (11)
Sustainable growth rate (SGR), %	$SGR = ROE \times RR \times 100$, where RR is Retention Ratio: $RR = \frac{\text{Retained earnings}}{\text{Net income}}$ (12)

* Note. The acting formulas are standardized by international accountant standards and widely used to evaluate the achieved results of the enterprise in comparison to past periods and compared to competitors [Revsine, Collins, Mittelstaedt, 2012].

value of OPM, which is considered one of the leading measures of the management's operative capabilities and the level of business risk. Alongside it, COGSR is measured, which displays the number of operating expenses needed to realize the revenue. If the business is not capable of generating enough earnings before interest and taxes (EBIT), the enterprise will not be able to cover its financial expenses and income tax and will not manage to realize a net profit from its sales (NPM). In practice, if despite the increase in revenues, the company continues to have a low GPM, OPM or NPM that would mean the spending is ineffective and the firm is at a competitive disadvantage.

The revenues together with the assets utilization reflect directly on the TAT, IT and ROA. Acquiring more profits or income from the available resources is the purpose of every organization when pursuing a better scale of activity and spending. This is an expression of a good balance of investment between owned capital and raised equity. EM presents whether companies should invest more in their own funds or (riskier) in liabilities in resources. The higher value attests to a preference for external financing, used to control company resources. Due to the lack of production capacity, facilities and even in some cases of owned buildings, merchants realize a faster TAT in comparison to the manufacturers, and the investment of funds falls on inventories and the increase in their turnover. The IT is significant because of the high returns, the reduction of operating expenses and the loss of inventory, acquiring bigger sales due to the quicker renewal of assortment and the support of managers marketing decisions.

The author regards return on equity (ROE) as the most important measure of firm competitiveness. It presents the worth of the company, its potential to make profit, the actual result of the business that reveals the presence of a competitive advantage. High rates are commendable for an enterprise but also indicate a higher use of liabilities to finance business, which increases the financial risk. Therefore, the author investigates the reasons for the acquired ROE levels. The use of the DuPont analysis (see form 11 in Table 1) is traced to the dependency of ROE on ROA,

NPM, TAT and EM. In practice, the better a company uses its resources, realizes its sales, spends funds in an optimal manner, and reaches a balance in the sources of its activities, the better its competitiveness becomes. In addition to dividend policy of the firm, ROE is the basis of the SGR. This displays the maximum level of growth in sales, which can sustain the company without extra investments or can improve the effectiveness of resource utility or costs incurred. Companies competent in sales and management of product portfolio often have a high SGR. However, it is hard to maintain because the constant necessity for innovations and competitive rivalries require continual investments and trade-off between payment of dividends and activity financing.

Therefore, this research takes into account that the chosen indicators include management effectiveness of enterprises that are connected and interdependent. To prove the strength of the connection between ROE and the rest of the studied indicators, the Spearman's rho¹ correlation coefficient was utilized.

The results present a strong, statistically significant dependence between ROE and the studied KRIs, which proves their role in the conducted analysis and effective positioning of the competitors (Fig. 1). The measures most important for successful positioning are the ones related to resource utilization and their profitability: IT, ROA, TAT, which is a traditionally necessary condition for the private business.

The sustainability of the positions achieved and the differentiation of competitors when it comes to their attained results are evaluated on the outcomes received via a descriptive analysis of structures. There are two measures that have been calculated for this purpose: the Integrated Coefficient of Structural Changes – ICSC [Gatev, 2007, p. 44] (see form 13) and the Integrated Coefficient of Inequality in Structure – ICIS [Gatev, 2007, p. 124] (see form 14).

¹ It has been preferred to the standard Pearson's correlation coefficient due to the limitations of the dynamic order in the examination and the sensitivity of this type of coefficient to deviant and unusual measures.

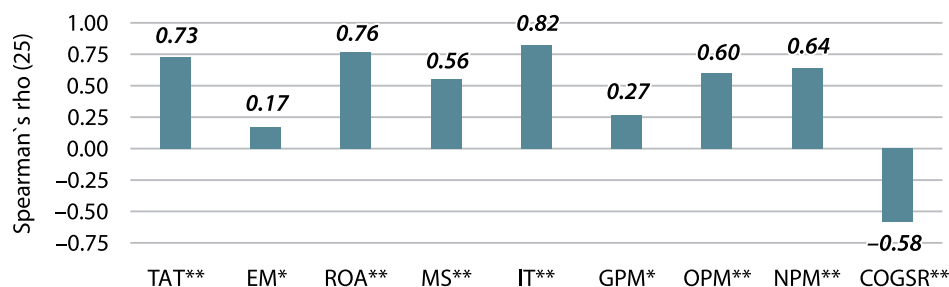


Fig. 1. Spearman's rho correlation between ROE and other KRIs used for positioning new car intermediaries²

Рис. 1. Коэффициент корреляции Спирмена между рентабельностью собственного капитала и остальными используемыми ключевыми индикаторами для позиционирования импортеров автомобилей

²Source: Author's calculations based on data from the importers' annual financial statements. * Correlation is not significant; ** Correlation is significant at the 0.01 level (2-tailed).

$$ICSC = \sqrt{1 - \frac{2 \sum_{i=1}^k d_{it-1} \times d_{it}}{\sum_{i=1}^k d_{it-1}^2 + \sum_{i=1}^k d_{it}^2}}, \quad (13)$$

$$ICIS = \sqrt{1 - \frac{20\,000}{10\,000 + \sum_{i=1}^k d_{it}^2}}, \quad (14)$$

where d_{it} is the indicator's share of rival 'i' in moment 't'; d_{it-1} is the indicator's share of rival 'i' in the 't-1' moment; K is the number of rivals. The closer both coefficients are to 1, the bigger the changes of the relevant indicator between competitors in the case of ICSC or the bigger the differences in distribution of the set measure between rivals in the case of ICIS.

EVALUATION OF COMPETITIVE POSITIONS OF THE BULGARIAN NEW CAR INTERMEDIARIES AND THEIR SUSTAINABILITY

The Bulgarian new automobile market is characterized by a favorable growth in sales for the studied period. However, there is a reduction in its rate (Table 2).

The number of new cars sold by the five most powerful competitors is increasing but is not stable during that period. An example of a negative growth in sales is Moto Pfohe BG in 2018 and 2019 and Euratec Ltd in 2019. Despite this, none of the other rivals takes advantage of the decreased sales and the Top 5 have a 69 % share of the entire market during the five-year period while CR_4 is higher than 60 %. Along with the exclusive rights of distribution and authorized service of new automobiles given by the manufacturer, the high market concentration reduces the intensity of the competitive struggle, enhances the ability

of cooperation and competitive power of rivals. The chosen merchants are leaders in the market and a benchmark for business to others.

Attaining a favorable market position in new car sales is linked directly to offering a preferred automobile brand. The proof of that is the superiority of the market share of Renault Nissan Bulgaria that is nearly 3 times the size of the other competitors'. This is attributed to: (1) the offered car brands – Dacia, Renault and Nissan, the first of which are traditionally the most preferred by the Bulgarian consumer as vehicles with an affordable price and of good quality; (2) the lower price of the offered new automobiles. The strategy of four out of the five leading rivals is aimed at offering a portfolio of different brands that compete with one another in both the low and high price segments. The product differentiation in this view allows for acquiring an advantage for the higher price of more luxurious brands as well as for the amounts of units sold by the people's brands. Euratec Ltd is the only importer in the Top 5 offering a single brand – Skoda, which however has increased in popularity in the same period as the one studied and secures the firm the number two or three market position. While exclusive rights provided by the manufacturer guarantee a monopoly profit for the new car brand of the importers, the development of the alternative channel of realization is a factor with the exact opposite influence.

In their pursuit for a bigger market share, intermediaries face the threat of preference towards used cars from the Bulgarian consumer. The reasons for that are the lower price, the rapid depreciation of new cars (the price falls with 65 % during the first year alone) and greater opportunities for choosing a dealer. The consequences are the older car fleet (there is a majority of automobiles of

Table 2 – Sales growth and concentration in the automobile market in Bulgaria, 2015–2019

Таблица 2 – Динамика объема продаж и уровня концентрации на автомобильном рынке Болгарии в 2015–2019 гг.

Indicator / company		2015	2016	2017	2018	2019
New car sales, units		24 256	28 216	33 265	37 506	39 034
Market sales growth, %		14.49	16.33	17.89	12.75	4.07
Renault Nissan Bulgaria	MS, %	38.03	33.87	33.89	30.99	31.92
	Sales growth, %	75.61	3.60	17.94	3.12	7.20
Euratec Ltd	MS, %	10.90	10.31	9.72	10.51	9.52
	Sales growth, %	27.90	9.94	11.14	21.94	-5.68
Porsche BG	MS, %	10.51	8.90	9.89	10.13	10.50
	Sales growth, %	-12.85	-1.49	30.97	15.47	7.92
Moto Pfohe BG	MS, %	10.37	10.25	9.41	7.45	6.60
	Sales growth, %	1.13	14.94	8.26	-10.76	-7.73
Toyota Balkans	MS, %	10.50	10.19	10.36	9.97	9.95
	Sales growth, %	6.13	12.96	19.85	8.47	3.82
Concentration ratio – CR_5 , %		80.30	73.52	73.27	69.05	68.50

Source: Author's calculations on data from annual financial statements of the enterprises and the European Automobile Manufacturers Association (ACEA).

20 years and older) and one of the highest levels of air pollution in Europe [Hristova, 2018]. In response to this threat, new car dealers will reap the benefits of advantages in positioning amongst each other if they manage to offer a product at an attractive price, with an installment purchase, a buy-back strategy, with unique extras (that are not seen in older models) or if they can establish parallel sales of used vehicles of proven quality. The sale at more attractive prices in Bulgaria is not dictated by a strong intra-brand competition (quite the contrary, a collaborative price behaviour is beneficial for enterprises with secured market positions in a concentrated market [Sudhir, 2001]), and instead by the pressure applied by independent car dealers. All importers in the Top 5 offer the same services of a similar nature. However, the most attractive prices are seen by the market leader, which results in a competitive advantage in the market position.

From the viewpoint of the marginal analysis, what leaves a strong impression is the low worth of the gross margin per BGN 100 revenue (Table 3). For all importers, it ranges between BGN 4.6 on average for the period at Toyota Balkans to BGN 7.7 at Renault Nissan Bulgaria, to BGN 12.6 at Euratec Ltd per BGN 100 of sales revenue and has declining values for the period. The low levels of gross profitability also affect the operating and net margin, whose values vary from 2 % to 7 % operating income and from 1.5 % to 6 % net income per BGN 100 revenues.

The reasons for the lower incomes can be found in revenue and cost management (Fig. 2). The sales revenues of all the competitors increase during the specified period (Moto Pfohe BG's excl.) while the operating expenses, sans the automobiles' value paid to the suppliers, mark a relatively small growth (for the past year, they actually decrease). This indicates good management of direct operating costs, which are the only leverage for intermediaries to influence profits through expenses. Nevertheless, the price paid to the supplier to purchase vehicles takes a big chunk out of the operating expenses of the company and the realization of BGN 100 sales revenue done with a BGN 94 to BGN 98 costs of goods sold. The purchasing cost is not just high, but also changes at the same or (for some importers) even higher rate in relation to changes to revenues. This barrier reduces the flexibility of establishing a trade policy for rivals.

The high market power of suppliers and their impact on the competitive positions of importers is evident. The strong vertical integration of the distribution channel is a double-edged blade. It saves transactional costs, effort in image building and the necessity of investments in innovations for the intermediaries. At the same time, management decisions are dependent on the requirements (quantitative and qualitative) of manufacturers while the acquired revenues are dependent on the attractiveness of the brand. It is clear that despite its market share being

Table 3 – Competitive positions of new car importers by GPM, OPM and NPM in 2015–2019
Таблица 3 – Конкурентное позиционирование импортеров автомобилей по показателям валовой, операционной и чистой прибыли в 2015–2019 гг.

KRIs	Competitors	Years					Trend	Position change
		2015	2016	2017	2018	2019		
GPM, %	Renault Nissan Bulgaria	11.1	8.9	8.3	5.0	5.2		
	Euratec Ltd	14.0	14.2	13.5	12.5	8.8		
	Porsche BG	8.4	7.8	6.9	7.4	7.2		
	Moto Pfohe BG	6.7	6.4	6.2	6.6	6.2		
	Toyota Balkans	5.2	4.8	4.4	4.5	4.1		
OPM, %	Renault Nissan Bulgaria	5.4	3.5	3.4	3.6	4.0		
	Euratec Ltd	5.7	4.9	5.3	5.3	6.6		
	Porsche BG	4.4	4.3	3.7	5.0	3.8		
	Moto Pfohe BG	2.2	2.6	2.4	2.5	2.1		
	Toyota Balkans	2.2	1.8	1.8	1.9	2.1		
NPM, %	Renault Nissan Bulgaria	4.7	2.8	2.8	3.0	3.4		
	Euratec Ltd	4.9	4.5	4.8	4.6	5.8		
	Porsche BG	3.8	3.9	3.3	4.4	3.4		
	Moto Pfohe BG	1.6	2.0	1.7	1.8	1.5		
	Toyota Balkans	2.0	1.6	1.6	1.7	1.9		

Source: Author's calculations on data from annual financial statements of the enterprises.

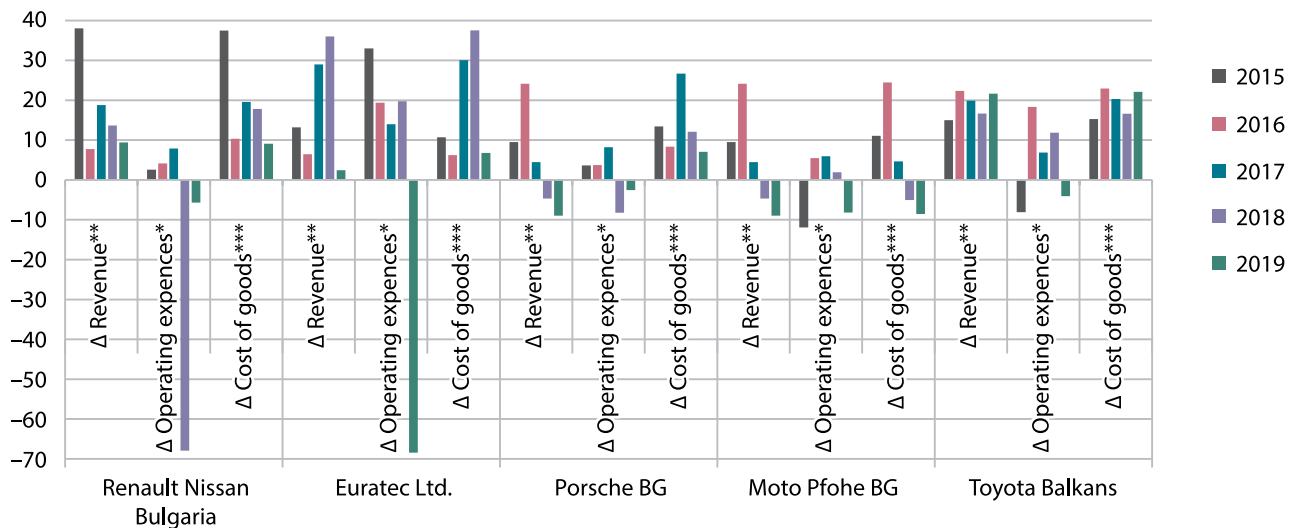


Fig. 2. Revenue, operating expenses and cost of goods growth for new car importers in 2015–2019, %¹

Рис. 2. Выручка, операционные расходы и себестоимость продукции импортеров автомобилей в 2015–2019 гг., %

3 times bigger, the leader has not managed to negotiate a lower price for the purchased vehicles. As a result, a better position is built by Euratec Ltd., whose GPM is more than 1.5 times higher than that of the leader with a twice as less sales revenue. As good as the new car intermediaries are with the operating expenses, none of them possesses a cost competitive advantage. That proves that the better market position does not guarantee neither the gross nor the operating and net high profit margin. The solution to the problem related to the threat of supplier market power lies within creating a diversification strategy, which will provide an opportunity for the management to enter new markets. This will expand the role and the significance of intermediaries in cases involving related diversification or it will allow them to freely manage revenues and costs in case of unrelated ones.

The profitability of their own funds invested by the enterprises is the highest indicator of profitability amongst all others (Table 4). The most profitable position of 2019 is occupied by the market leader – Renault Nissan Bulgaria (109.4 % ROE). The company generating the least values is the importer taking the 5th market place – Moto Pfohe BG (7.1 % ROE). The factors that carry great significance are the ones that have led to the accomplished levels of profitability. The market leader is the one who takes the biggest risk, relying more on borrowed resources than owned ones. On the other hand, the financial leverage factor carries the least significance when it comes to ROE (Spearman's $\rho(25) = 0.17, p < 0.491$). Higher impact on achieving the desired position has the effectiveness in resource utilization. Because of this and due to higher sales, the market leader manages to acquire a high effect from the invested own funds. The followers are falling behind significantly in that regard even though they carry

out their activity with more of their own funds. Whether the tactic of “whoever takes the risk, wins” is the winning determinant of the market leader or if the more effective use of resources and increase of incomes is a better instrument of profitability is a matter of management. A favorable position for commercial enterprises would need to be sought out in the optimal use of the available retail spaces, technique, storage facilities, timely collection of receivables and management of inventory assortment. In practice, importers that are merchants by main activity have nearly 98 % current assets, 30 or 40 % of which being inventories. This makes a better utilization of resources by intermediaries directly related to the better use of stocks and the investment in them, which requires an intelligent logistics policy and sales strategy.

The speed of IT is relatively high for automobile importers. However, it decreases during that period with the exception of Porsche BG and Toyota Balkans (Fig. 3).

The enterprise that manages to realize its stock reserves in the quickest and most effective way is the market leader selling the entire available inventory of automobiles 20.55 times during 2019. To make a comparison, that is 1.7 times higher than that of the 2nd placed firm and 6.5 times more than the one ranked the fifth. The leading competitive position in terms of IT proves the effective logistics policy and sales strategy of Renault Nissan Bulgaria, which allows it to refresh its vehicle fleet more often, and this in itself, provokes even more sales thanks to more modern models of cars. The followers bet on a strategy of maintaining a higher inventory volume of vehicles and test-drive models, which in view of the realized lower sales volume leads to lower goods circulation. In the digital age, the ability to test drive and physically reach the automobile is important, but consumers look for flexibility and convergence between the electronic and traditional channels of purchase. That pushes the re-organization of the business model of car intermediaries

¹ Source: Author's calculations on data from annual financial statements of the enterprises. * Operating expenses growth, cost of goods excluded; ** Revenue growth; *** Cost of goods growth.

Table 4 – DuPont analysis by competitors in 2015–2019
Таблица 4 – DuPont анализ импортеров автомобилей в 2015–2019 гг.

KRIs	Competitors	Years					Trend	Position change
		2015	2016	2017	2018	2019		
ROE, %	Renault Nissan Bulgaria	55.2	34.6	60.2	107.0	109.4		
	Euratec Ltd	34.2	26.2	29.7	30.3	32.7		
	Porsche BG	41.9	44.5	46.4	61.2	48.1		
	Moto Pfohe BG	10.0	14.2	10.7	9.8	7.1		
	Toyota Balkans	14.4	12.4	13.4	14.6	16.6		
ROA, %	Renault Nissan Bulgaria	26.2	15.3	18.5	20.1	27.5		
	Euratec Ltd	12.4	10.1	11.8	12.8	14.3		
	Porsche BG	39.1	36.5	20.4	27.1	19.2		
	Moto Pfohe BG	4.4	6.5	4.5	3.9	2.9		
	Toyota Balkans	5.0	5.9	6.5	5.9	6.1		
TAT, number	Renault Nissan Bulgaria	5.6	5.4	6.6	6.7	8.0		
	Euratec Ltd	2.5	2.2	2.5	2.8	2.5		
	Porsche BG	10.3	9.4	6.1	6.1	5.6		
	Moto Pfohe BG	2.8	3.2	2.7	2.2	1.9		
	Toyota Balkans	2.6	3.7	4.0	3.4	3.2		
EM, BGN	Renault Nissan Bulgaria	2.1	2.3	3.2	5.3	4.0		
	Euratec Ltd	2.8	2.6	2.5	2.4	2.3		
	Porsche BG	1.1	1.2	2.3	2.3	2.5		
	Moto Pfohe BG	2.3	2.2	2.4	2.5	2.4		
	Toyota Balkans	2.9	2.1	2.1	2.5	2.7		

Source: Author's calculations on data from annual financial statements of the enterprises.

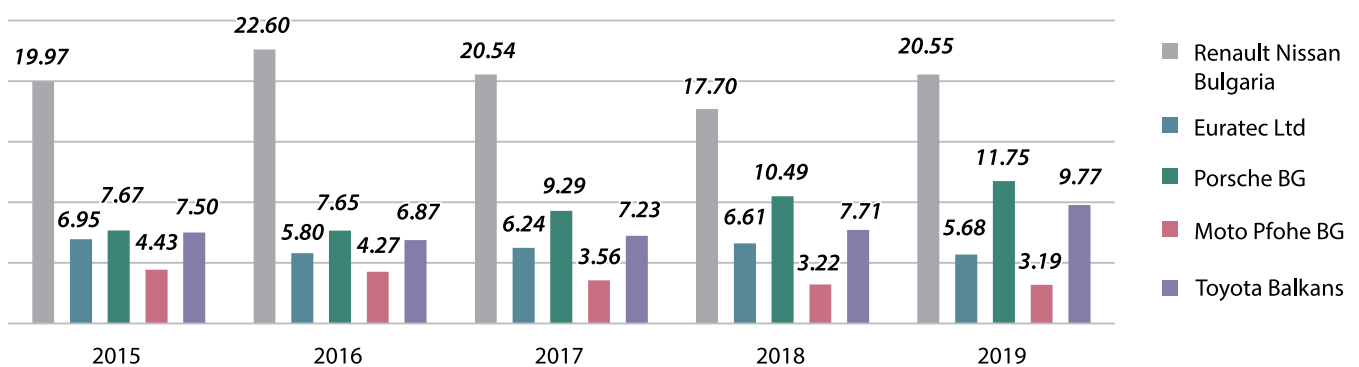


Fig. 3. Positioning of the Top 5 new car importers by IT in 2015–2019, number¹

Рис. 3. Позиция основных импортеров автомобилей по оборачиваемости запасов в 2015–2019 гг., количество оборотных циклов

from traditional dealership to the so-called “cybermediaries” that is an omni-channel business model which has been imposed by the market forces in the industry [Hristova, 2016, 2018]. This will lead to a reconversion of the inventory policy since the amount of maintained cars in

¹ Source: Author's calculations on data from annual financial statements of the enterprises.

stock will give way to quick delivery of cars that are configured individually for the client.

Fig. 4 presents the growth in sales of new car importers that can be maintained with the current level of profitability, effectiveness and dividend policies.

All the competitors are financially stable companies that are in a healthy zone of their development and

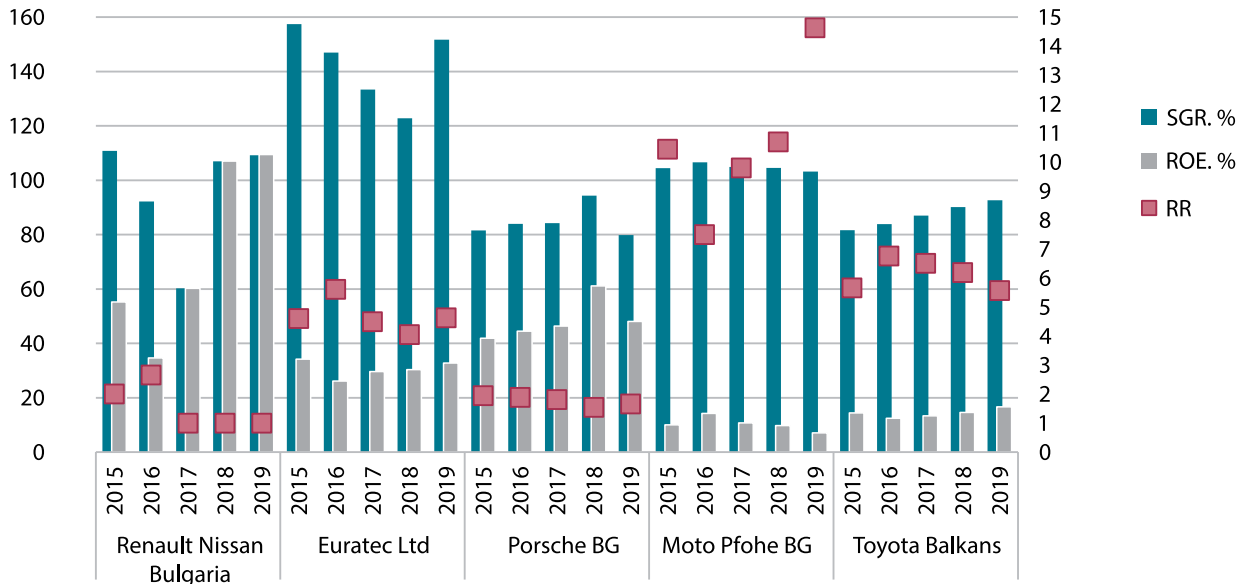


Fig. 4. SGR analysis on the competitive position of new car importers for the period of 2015–2019¹

Рис. 4. Анализ устойчивого роста конкурентных позиций импортеров автомобилей в 2015–2019 гг.

manage to generate high growth without needing to change their operating or financial policy. On the other hand, the actual increase in sales is lower than the SGR, which can be linked to untapped potential on the side of management with the purpose of improving the income aspect of the business. As seen in Fig. 4, each of the competitors has chosen a different strategy to accomplish growth. While Renault Nissan Bulgaria, Eurattec Ltd and Porsche BG depend on improving resource utilization and more importantly their turnover, Moto Pfohe BG and Toyota Balkans have a higher RR, which means they prefer to avoid distributing profit for dividends and instead invest it in business. It is evident that the better strategy is held by the first three competitors, meaning the operating policy related to expediting the

goods circulation and effectively utilizing the available resources is a source of competitive advantage.

Intermediaries demonstrate constancy and sustainability in the competitive positions they occupy (Fig. 5).

There were no notable structural changes during the period under consideration in any of the studied KRIs as well as no changes in ranking between the rivals according to the indicators. None of the importers took active competitive actions to overtake their opponent's competitive position which on the one hand affirms constancy and satisfaction with the current state of affairs; however, it may also be a sign of challenges of an external nature that are not influenced by managerial control. The asymmetry in the established positions is also neither high, nor significant. The biggest difference

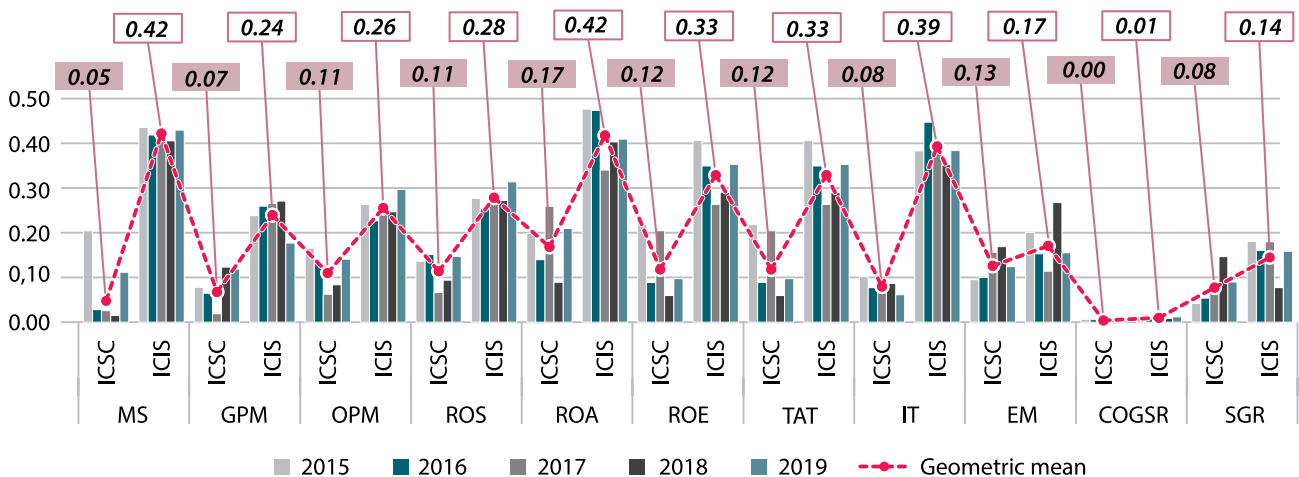


Fig. 5. ICSC and ICIS on KRIs in 2015–2019 and the geometric mean²

Рис. 5. Интегральный коэффициент структурных перемен и неравномерности структур по ключевым результативным индикаторам в 2015–2019 гг. и геометрическая средняя стоимость

¹ Source: Author's calculations on data from annual financial statements of the enterprises.

² Source: Author's calculations on data from annual financial statements of the enterprises.

between the competitors for the period can be observed in MS ($ICIS_{geom.mean} = 0.42$), ROA ($ICIS_{geom.mean} = 0.42$) and IT ($ICIS_{geom.mean} = 0.39$). As market leaders, the Top 5 are constantly at risk of an attack on their rankings from the rest of the firms in the industry, from crises in profitability, strong substitutes and demanding suppliers. This is why management of the most attractive companies has the responsibility to maintain the achieved sustainable position, which implies a constant search for instruments for improving business.

CONCLUSION

The competitive positioning of firms is an indicator of their success in the struggle for limited resources and of the changes that management needs to introduce to face competitors which apply all possible instruments to generate wealth and industry income. The research is based on the analysis of 11 KRIs to position the Bulgarian new cars market leaders, the sustainability of their accomplished results, the presence of competitive advantages and possible strategies for their development. Taking into account the scale of the subject area, the study does not claim to be exhaustive but is a good basis for indicating the competitive advantages of car intermediaries, offers further in-depth study of competitiveness at the firm level and is of use in management of the organizations.

According to the results, Bulgarian new car importers are faced with a very strong market power of suppliers, low switching costs to used vehicles, digitalization and the COVID-19 pandemic. The five most powerful competitors, in market terms, hold over 60 % of the market and discern themselves with sustainability in their positioning by KRI at the time. There are no significant differences between the competitors' results, which speaks for the uniformity of the utilized strategies and policies. This, alongside market power of the Top 5, predetermines the low intensity of competitive rivalry, provides conditions for cooperative behaviour and testifies for the good management of the enterprises. The resulting competitive positions indicate not only a presence of relatively low levels of margins, but high ROE as well as the availability of untapped potential

for growth in a direction of better use of resources by all firms and the acceleration of inventory turnover in the followers. Earning "the gold medal" in pandemic conditions has competitors face the challenge of a more successful differentiation and searching for possibilities for diversification, which would make merchant business more flexible and independent from world-renowned giants.

A competitive advantage requires heterogeneity and that can be achieved not only through the car brand and offering of technologically innovative models but also via a richer variety and quality of competitive sales services, mainly in the area of adaptive pricing and logistics strategy, digitalization and the transformation of the business model into an omni-channel type. New automobiles are therefore to turn from goods with an extensive decision for purchase, which they are now in Bulgaria, to a limited decision kind. Dealers have to become close to their clients via their strategy so that they are comfortable with the location they choose to visit and for their acquisition to be bought easily and cheaply.

The conversion of the brick-and-mortar model into an omni-channel one will thrust dealers into a serious struggle for advantage via new technologies and will require investments for its realization. The necessity of digitalization has been intensified by COVID-19, the pandemic that has led to a collapse in new car sales in Bulgaria in 2020 by 42.7 % due to the shift of life-habits of consumers (the trend to work at home, the lack for opportunities to travel) from physical to digital. The crash in sales of the entire market will inevitably result in a decrease in the market share, profitability and the speed of circulation of new automobile importers. In pandemic conditions, digitalization enters the synapses of the economic system and tries to achieve symbiosis with it, while the neuron links between the economic subjects make the rejection of integrating digital technologies a source of slowed development and bankruptcy for enterprises. There is nothing more certain than change and it guarantees competitive advantages to companies that realize and adapt the digital virus into their business model and applied strategies. ■

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