
Competitive Strategies of Modern Enterprises: Definition, Content and Results

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Abstract:

This article is devoted to the critical analysis of the existing theoretical and methodological approaches to determine the content and the meaning of competitive sustainability as a factor and an element of a competitive strategy in industrial marketing.

The peculiarities of the formation and calculation of the competitive sustainability indicators as well as the possibilities of its application as a determinant of the marketing-competitive strategy of a modern industrial enterprise are revealed on the basis of critical retrospective analysis and authors' search.

Keywords: *Competitive strategy, marketing in industry and agriculture, competitive stability, competitive maneuver, competitive initiative.*

JEL Classification Codes: *D10, D11, D30, D39.*

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1. Introduction

The topicality of the theme is determined by the high instability of marketing conjuncture of the modern industrial markets at sectorial and regional scale which resulted from the interaction of a whole system of factors of both marketing and non-marketing nature. Under contradiction and lack of unified vector of competition development at the consumer and industrial-technical product markets modern subjects of the industrial marketing have to work out and implement the specific strategies, apply and assess the real efficiency of the traditional and innovative forms, methods and the competition tools (Averina *et al.*, 2016).

One of the most promising modernization trends of the analyzed marketing methodology is introduction and application of the competitive sustainability as a priority and a reference point for specialized marketing impacts of a strategic and tactical scale in industrial markets activities (Chernysheva and Shepelenko, 2017; Epifanova *et al.*, 2017). The competitive sustainability of the marketing subjects allows resisting the market conjuncture turbulence, unscrupulous and non-civilized competition initiatives effectively and its application allows moving to stable functioning and sustainable development within the industrial markets system due to more clear marketing goal setting, system efforts to implement the specialized loyalty programs, to implement system and situational formats of the marketing activity at the competitive markets with high profit potential.

2. Authors' approach to develop competitive strategy

The marketing conjuncture uncertainty and its turbulence of the modern industrial markets due to the limited possibilities to forecast the values and co-influence of macroeconomic, sartorial, marketing and corporate factors demands the system marketing adaptation based on the application of the marketing systems with the limited competition intensity (Ermakova *et al.*, 2016; Mysova *et al.*, 2016). Study of the polar and intermediate state of the industrial products market characterizing possible variants of the marketing conjuncture, connected with typical consumer groups, manifesting the certain type of the consumer behavior (loyalty, rationality, irrationality) allows characterizing and quantitatively assess the limits of the strategy effectiveness and tactical impacts of the industrial marketing in terms of the competitive sustainability (Theriou, 2015).

The competitive sustainability is a quantitative metric of industrial marketing strategy that allows assessing the possibility of sales decline in the competitive segment of the corporate sales portfolio in terms of their influence on the operational and marketing result of the economic entity.

The calculation of the absolute indicator of competitive stability associated with the correlation of the break-even point and the marketing and operational result of loyal and irrational transactions. Competitive stability margin characterizes the degree of

sales decline at competitive markets, which is possible without critical damage for the reproduction processes and that reflects the tactical scale of the marketing and competitive conjuncture volatility. Under limited competitive conjuncture at the sales market sales market of industrial enterprises, implying the presence of loyal consumer activity, rational and irrational type of the choice, marketing subject can ensure formation and application of the consumer basis of the stable type that ensures independence from volatility of competitive (rational) choice.

Marketing mechanism to manage the competitive sustainability through strategic and tactical impacts oriented on permanent decline of the fixed and variable costs and margin growing of sales is called to ensure achievement and retention of the threshold values of absolute and relative stability as a basis for the promising marketing activity in the perspective highly competitive and highly marginal markets. Matrix “Competition intensity/ market profitability” gives opportunities for the strategic marketing choice of the locations and forms of the marketing and competitive activity under isolated industrial markets with differentiated intensity of the competitive processes and potential of the operational financial result profit growth.

Stratagem competitive maneuver as an element of the marketing strategy in the industrial marketing can be defined as a possibility to enter / to be present / to leave the target segments of the industrial markets of the highly intensive competition justified by the possibility to boost margin when selling goods in comparison with the markets with limited or weak competition.

The essence of the competitive initiatives means the aggressive price and non-price pressure on the local marketing system based on the quantitative and qualitative growth of the scale of marketing impacts of searching and innovative competitive nature. To implement the approach to develop methodology and to assess the effectiveness of the marketing competitive strategy of industry it is required the system marketing adaptation of the management principles of the enterprises focused on the implementation of the objective requirements and restrictions related to compliance with competitive sustainability in industrial markets.

The authors’ model of the competition quantitative assessment of the rolling stock samples according the criterion of net present value over the useful life cycle provides the possibility to calculate correctly economically grounded competition indicator based on the marketing peculiarities of the certain type of the products for industrial purposes as well as to use it when forecasting the parameters of the current and perspective samples of freight cars.

The calculation of the competition distribution of the system of the numerous target markets of the products for industrial purposes involves marketing activity modeling of each participant at each of the considered markets whose result is to calculate marketing and financial result of the competitive strategy in the operational cycle

based on the objectively conditioned ratio of demand and supply of the products for industrial purposes as well as unrealized product residues which resulted from certain marketing decisions in terms of competitive maneuver.

The growth of the competition sustainability of the industrial market subject (producers of the products for industrial purposes), taking into account the marketing specificity of the inner market of the transport engineering products, means the implementation of the strategic and operational marketing impacts of organizational, integration and innovative nature and allows laying the foundations for the competition sustainability of the Krasnodar Krai transport engineering subjects, proving them with significant marketing and organization advantages at the markets with demand conjuncture positive forecast

3. Authors' approach on the most important type of industrial products

The imports of machines, equipment and transport means to the Russian Federation domestic market totaled more than US \$ 570 million or 27.542 trillion of rubles for the period from 2013 to 2017. In 2017 the imports of this group considering the considerable national currency devaluation in 2014-2017 grew by 1.394 trillion rubles or 28.67%.

Even according to pessimistic estimations, the number of new producers of the industrial goods of the considered group can exceed 1476 units (provided that the average production volume per enterprise is 2.12 billion rubles per year and labor productivity with an average number of industrial personnel of 100 people at the level of 20 million rubles/person). Let us note that today criterion of the productive working place is labor productivity three million rubles per person a year, which can be overlapped at hi-tech machine-building production with a high proportion of value added and sales margins. In the basic scenario the number of new producers of machines, equipment and transport means according to data from the reserve of import substitution in 2017 can total to more than two thousand new enterprises, in the optimistic scenario – more than 2.6 thousand.

Freight rail cars manufacture is among the most important industrial activity in the Russian transport engineering due to the scale of the main buyers' activity; they are car fleet owners providing rolling stock for the entire rail freight sector. In 2017 (3 quarters) revenue from freight cars sales in the Russian market amounted to 77.5 billion rubles, with a growth rate of more than 2 times compared with the same period of 2016.

It is necessary to emphasize that for the period from 2013 to 2016 domestic market volume for this group of products decreased more than twice: from 99 to 40.6 billion rubles (58.4 billion rubles or 59%), with subsequent sharp forward dynamics (according to the results of 3 quarters of 2017 - more than 2 times compared with the same period of 2016 and 1.91 times more than the entire production of 2016).

2014 was relatively stable in terms of sales within 14-16 billion rubles a quarter (with the seasonal peak in the Q2 – 206 billion rubles), by 2015 the demand dropped twice to 7.2-7.9 billion rubles (Q4 became the peak with 13.2 billion rubles).

2016 saw sustainable demand dynamics: from 6 billion rubles in the first quarter to 15.1 billion rubles in the fourth quarter, starting the positive dynamics, totaled from 24 to 28 billion rubles (with growth from the lowest point of the chart - Q1 2016 - more than 4.72 times in Q3 2017).

In November 2016 we conducted the panel research in the form of deep structured interview of top managers of the producers to clarify the considered factors and trends and to attempt to forecast the perspective dynamics of the researched market. The study covered the following questions:

- assessment of the scale and competition intensity at the internal market;
- state and prospects of the sectorial competition environment;
- assessment of freedom of competition and the facts of unfair competitive actions;
- state support effectiveness of industry and market;
- prospects of operational, marketing and competitive activity in 2017-2020.

All respondents stressed that there is almost no any competition at the researched market. All 2015-2016 major orders were implemented by the park operators of subsidiary structures – manufacturers affiliated in single value chain. The market competition conjuncture has almost completely degraded except for export contracts, the described above situation takes place where producers either interacted with loyal consumers (those demonstrating non-market type of the consumer choice) or they limited production searching for the target order.

The industry competition environment was characterized by the responders as negative, encouraging degradation of the industry in terms of reduced number of participants, lack of stimulus to expand activity, lack of opportunities to finance the innovative spare parts, mechanisms and new types of products.

Innovative vector of the competition development at the market under consideration was not reflected in the specialized industry strategy, which in the current edition is focused on the locomotives production growth, and it characterizes the freight cars segment as relatively prosperous (against the background of a systemic decline in production in recent years). The strategy under consideration, being a main trend of the competition development in the industry, means the further assets consolidation that will result in the short - and middle - run in the reduction of the market participants to 1 or 2 and the competition level between them to zero.

The respondents felt extremely negative about the price competition prospect at the given market, having stressed its low production profitability of the most important type of the industrial product and the fact it is impossible to organize the full

reproduction cycle including competitive search and competitive innovation based on the current profitability and sales margin.

The respondents highly assessed the freedom of competition at this market however there is a fact of the loyalty of the major consumers purchasing railway wagons in 2015-2016, and it is impossible to overcome it. The major market transactions were planned and implemented centrally in the frames of integrated industrial and logistic structures, with their own production and affiliated freight operators. The facts of the unfair competition were not revealed within the period under consideration (as well as fair tenders!). In 2016, several regulatory and legal assets were adopted in terms of supporting manufacturers of freight railcars with a total amount of assistance up to 13 billion rubles.

However, the respondents noted the asymmetry of the measures implemented and that OJSC "Research and Production Corporation "Uralvagonzavod" had advantages for obtaining subsidies, but still they did not manage to overcome negative marketing and competition conjuncture. According to A.A. Medvedev in 2015-2016 the OJSC "Research and Production Corporation "Uralvagonzavod" net assets were less than the authorized capital, the sales ratio return was 6%, there was no own working capital, and the working capital share financed from the borrowed and equivalent sources of financing grew steadily.

While assessing their own development prospects the respondents were differentiated much. The representative of the Unites Wagon Company, JSC "Tikhvin Freight Car Building Plant" is a part of it, characterized the coming years quite positively, having mentioned a promising demand growth from its own company – operator as well as the possibility to export rail cars due to the national currency devaluation. The remaining the participants of the research were rather pessimistic while assessing short - and middle - term marketing prospects, they expected the further drop in the domestic demand, lack of the possibility to compete under vertical chain of values of the production and logistic structures, unclear state industrial policy in terms of support of strategic industrial markets and industries.

The respondents consider stagnating degradation connected with the further shrinking of the sectorial structure, strengthening of the leader producer position, shortage of the resources for normal production (let alone reproduction) activity as the nearest prospects of the studied market.

At the same time the marketing trend to produce innovative rail cars is worth paying attention. From 2018 to 2016 the total number of the innovative rail cars according to G.M. Zobov totaled to 40 thousand units with extreme production growth in the period from 2012 to 2014 (522 to 13728 units with the following sustainable dynamics).

The respondents agreed with G.M. Zobov in the context of the perspective trends of the freight railcars domestic market development, having noted the priority of the development of the next generation cars (with an axial load of 27 t). The prospect of this trend that is objectively grounded by the necessity to boost the competitiveness of the certain samples of freight railcars based on the service interval growth, cost reduction of the planned types of maintenance and increase the efficiency of use of functional parameters of the quality of specific product samples.

At the same time, it is necessary to note the prospect of the integrated marketing and competitive strategies which allow leveling the market conjuncture volatility factor due to competitive sustainability zone formation and application of the system-based marketing loyalty management tools on such a specific market as domestic market for freight railcars.

4. Possible ways to use competitive stability criterion while developing prospective strategy of modern enterprise

The corporate program of the competitive sustainability growth was designed for a large enterprise-producer which is in the process of restructuring after bankruptcy whose activity has substantial sectorial, market, social and economic significance in order to give specific recommendations to optimize marketing and competitive strategy (Table 1). Cost forecast to implement corporate program of the competitive sustainability growth of JSC “Novozybkovsky Machine-Building Plant” Armavir branch in 2018-2020 is presented in Table 2; its economic effectiveness forecast is calculated in Table 3.

Table 1. Corporate program of the competitive sustainability growth of JSC “Novozybkovsky Machine-Building Plant”

Program Paragraph	Content
1	2
name	Corporate program of the competitive sustainability growth of JSC “Novozybkovsky Machine-Building Plant”
goal	Competitive stability strengthening of the enterprise which survived the bankruptcy procedure with positive domestic market competitive conjuncture forecast
stages	1. to ensure corporate governance compliance with IRIS requirements (railway industry global standard) 2. strategic alliance with regional producers of the similar range of products 3. to develop and introduce the technical innovations to boost the competitiveness of the main types of output
Expected results	1. International Certificate of Compliance of the corporate management system with the IRIS standard 2. Production of 2.5-3 thousand units of new railway freight cars at their own production capacity and capacity of the regional

Program Paragraph	Content
	enterprise - partner 3. Patent for an innovative parking brake unit for freight rolling stock with a force per axle of 27-34 t
Program stages	2018 – certification and modernization of the corporate management system in accordance with railway industry global standard 2018-2019 – regional strategic alliance and launching large-scale production of freight rolling stock in Armavir and Tikhoretsk 2018-2019. – design, certification and production of the innovative parking brake system for own needs and third-party orders
financing	stage1 – own funds 1.5 million rubles. stage 2 – own funds 101.65 million rubles stage 3 – own funds 75 million rubles.

Table 2. Budget to implement marketing program for the competitive sustainability growth of JSC “Novozybkovsky Machine-Building Plant” Armavir branch in 2018-2020 (developed by the authors)

Cost item	Cost, thousand rubles
1. The cost to introduce the global standard requirements for railway equipment manufacturers IRIS	
Development of technical specifications of a specialized consulting project	150
Competitive procedure to select the supplier/ performer	200
Current auditing and preparation of the management system to be modernized	100
Project implementation, management staff retraining	250
to reorganize the key and auxiliary business processes	250
Management documentation update	150
Introduction of the criteria and procedures of the management quality assessment in accordance with the sectorial standard	200
Preparation for certification	100
Preparing and passing certification to be included in the global industry register IRIS	100
total	1500
2. Cost of the regional strategic alliance creation in the format of contract manufacturing	
Management system and production capabilities auditing	250
Contract manufacturing project	200
Contract manufacturing project consulting support	250
Costs to unify production capacity of enterprises - members of the alliance	100000
Personnel additional training	1000
Total costs	101650

Cost item	Cost, thousand rubles
3. Costs to implement the project development and to certify innovative technical node “Electro-spring parking brake for freight cars of various types”	
To develop technical project specifications and conditions of the competitive procedure to select subcontractors	500
contest and making the subcontractor short-list	1000
Project implementation	45000
Testing and certification of node samples	5000
To determine the best sample, to award the winner and participants of the competition	10000
review the prototype to the serial model, the program of marketing support for innovation	12000
Serial model certification according to the Russian and international standards	1000
node patent protection	500
Total costs	75000

Table 3. Economic efficiency of marketing competitiveness growth program implementation JSC “Novozybkovsky Machine-Building Plant” Armavir branch in 2018-2020 (Developed by the authors)

Indicator	After introduction, thousand rubles
1	2
1. Certification for the requirements of the industry standard IRIS	
Total project costs	1500
To eliminate the overhead costs for the product quality audit	-400
Savings of fixed costs due to reduction and increase in the efficiency of managerial business processes (experience in implementing the standard IRIS)	-2500
The economic effect in the form of cost savings	-2500 - 400 + 1500 = -1400
2. Contract manufacturing at regional alliance production facilities	
Total costs to synchronize the production capacities	101605
Cost of a car kit rail car model 12-1592	2150
A rail car 12-1592 sale price (December, 2017)	2450
Rail car sale in 2018, units	200
Rail car sale in 2019, units	200
The 2018-2019 sales profit	120000
The economic effect in the form of sales profits growth,	120000-

Indicator	After introduction, thousand rubles
thousand rubles	101650=19350
3. Implementation of the project for the development and certification of an innovative technical unit “Electro-spring parking brake for freight railcars of various types”	
Total project costs	75000
production cost of one set of innovative technical node	300
Price of one set of innovative technical node	400
The 2018-2019 node sales, units	1500
Node sales profit	150000
The economic effect in the form of sales profits growth, thousand rubles	150000-75000=75000
The total economic effect of the program, thousand rubles	95750

We determined the effect of company management certification system in accordance with global industry standard IRIS in the form of saving fixed costs at a rate of 1.4 million rubles, the positive sales profit growth based on the functioning of the strategic alliance of the Krasnodar Krai regional manufacturers, can total to 19.35 million rubles, and the increase of the operational financial result obtained from the innovative technical node sales forecasted at 150 million rubles (economic effect taking into account the project costs to total is not less than 75 million rubles).

Total economic effect of the implementation of marketing program for the competitive sustainability growth of JSC “Novozybkovsky Machine-Building Plant” Armavir branch in 2018-2020 is predicted at the level of 95.75 million rubles, its correlation with the level of project costs (178.15 million rubles) allows evaluating the economic efficiency of the proposed program at 53.75%.

5. Conclusion

The given program is to become the basis for the competitive sustainability of the Krasnodar Krai strategic machine building enterprises, to provide them with the significant market and organizational advantages with positive forecasted demand conjuncture, to contribute much into social, economic and industry development.

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