

The competitive strength factors of the company

Faktory konkurenceschopnosti firmy

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Abstract: PATRIA Kobylí, Inc. is one of the traditional wine-growers and producers of quality wines based in southern Moravia. Farming on 152 hectares, PATRIA Kobylí supplies the market with more than 1 million litres of wine per year. It offers an assortment of 14 whites and 6 blue wines. The company focuses on wines designed for gastronomes and distributed to selected specialized wine-merchants. But since 2003, the sales of the company's wines have been declining. The sales in the individual months of 2006 were the lowest for the last 6 years. But the aim of the company will not be to increase the sales volume but the wine quality and services and sales techniques and so to maintain its position in the market. The company started to analyze its strengths and weaknesses and extended its portfolio of Saint Martin wine and special wines and sparkling wines.

Key words: competitive strength, strengths, weaknesses, BCG model, success factors

Abstrakt: Společnost PATRIA Kobylí, a.s., je jedním z tradičních jihomoravských pěstitelů hroznů a producentů kvalitních vín. S výměrou vinic 152 ha zásobuje trh zhruba 1 mil. litrů vína ročně. Firma v současné době nabízí 14 bílých a 6 červených druhů vín, a to především do gastronomie a vybraných vinoték. Od roku 2003 se firma potýká s poklesem prodeje. Ve všech měsících roku 2006 byly prodeje nejnižší za posledních 6 let. Cílem společnosti ale není zvýšit množství prodáváného vína, ale zlepšit jeho kvalitu a služby spojené s prodejem, a tím si udržet pozici na trhu. Společnost začala posuzovat své slabé a silné stránky a na základě výsledků analýz rozšířila své portfolio o Svatomartinské víno a speciální vína a zrušila výrobu šumivých vín.

Klíčová slova: konkurenceschopnost, silné stránky, slabé stránky, model BCG, faktory úspěchu

The largest acreage of vineyards in the Czech Republic is situated in South Moravia. In the south-west of South Moravia, there is a picturesque viticulture village called Kobylí, where the company PATRIA Kobylí Inc. manages an area of 152 ha of sunny vineyards.

There are very good conditions not only for the maturation of grapes but also apricots and peaches in this area. The beginnings of viticulture in this region are set to the 14th century AD. Traditional red and white grape varieties such as Neuburg, Green Sylvaner, Rhine Riesling, Green Veltliner, Blue Portugal and Limberger are grown here. Aromatic white grape varieties such as Sauvignon, Müller-Thurgau, Traminer, Moravian Muscat and Palava and red grape varieties St. Laurent and André are also very popular. 15 years ago their range was successfully supplemented with Pinot

Blanc, Pinot Gris, Chardonnay, Cabernet Sauvignon and Cabernet Moravia.

PATRIA Kobylí Inc. produces wines that are primarily intended for gastronomes and specialized wine stores. Quality wines are put on sale within 12 months after the harvest and quality wines with special attributes such as "late harvest" are available in a full range 2–3 years after the harvest.

The aim of this article is to analyze the chosen factors of the internal environment of the company PATRIA Kobylí Inc. and to judge their changes in the time period from 2004 to 2006.

Wine products were used to judging for the first time, including their sales and marketing.

If the basic managerial competency is creating balance between the external and the internal environment then management has to continuously

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monitor and analyze internal environment, define key factors, success potentials, and to react on the changes of the external environment (Pošvář 2003). Concretely it means defining strengths and weaknesses of the company. Defining strengths and weaknesses of the company is very hard, because they can be based on a comparison with the competing products or organizations, and for such a comparison we do not always have the sufficient information we would need.

During the recent period of time, there have been many researchers who focused on the internal environment e.g. Žufan, Erbes (2001); Chládková (2006a, b); Chládková et al. (2004); Svoboda (2005, 2006 a, b), Pošvář (2003); Pošvář, Erbes (2004); Žufan (2006); Tomšík (2004); Tomšík, Lišková (2004); Tomšík, Bartošová (2004).

MATERIAL AND METHODOLOGY

The business of the company PATRIA Kobyly, Inc., is agricultural and non-agricultural production. For the purposes of this article, the main attention was paid to the division of viticulture and wine production.

To analyze the product portfolio, the BCG model was used. BCG model developed and popularized an approach known as the *growth-share* matrix. The growth-share matrix is divided into four cells, each indicating a different type of business. The horizontal axis indicates relative market share and on the vertical axis indicates the annual growth rate of the market (Kotler 1988).

Next the potentials analysis was used, i.e. analysis of the success factors of an organization within its industry. For comparison, an analysis of the success factors of the competing company Bohemia Sekt, Inc. over the past two years was undertaken. The evaluating factors were: brand power, product quality, product line, distribution, sales organization, innovative and financial power.

The most important strengths and weaknesses were obtained from information directly from the company and from its website.

RESULTS AND DISCUSSION

PATRIA Kobyly, Inc., was established 1. 1. 1999. One of the most important agricultural activities of the company is viticulture followed by the production of high-class variety wine. PATRIA Kobyly, Inc., is a notable fruit producer, especially peaches, apricots, apples, pears and plums. In the field of production

of edible fodder, wheat, barley, pea, maize, feedstuff and newly soya are planted. The livestock production is focused on milk, beef and pork production.

The most important branch of non-agricultural production is processing of synthetics into a wide spectrum of products such as pools, house-sewage treatment plants, separators of oil substances, storage and technological tanks and different order-products according to the wishes of the individual customers. Among another services provided by this company, there belong accommodation and alimentionation services, rent of a saloon, transportation and construction services.

Comparison of wine products of the company using the BCG model in years 2004 and 2006:

STARS:

- wines with attribute (late harvest and selection of grapes)
 - sales share 10%
 - revenue share 15%
 (white wines: Pinot Blanc, Green Sylvaner, Palava)
 - (red wines: Blue Portugal, St. Laurent, Limberger)
- quality variety wines-vintages
 - sales share less than 5%
 - revenue share 10 %
 (white wines: Pinot Blanc, Green Sylvaner, Palava)
 - (red wines: Blue Portugal, St. Laurent, Limberger, Cabernet Sauvignon)

There was no change in this category in the above mentioned years.

CASH COWS:

- quality variety wines – sales share > 80%
 - (white wines: Müller Thurgau, Pinot Blanc)
 - (red wines: Blue Portugal, Limberger)

There was also no change in this category in the above mentioned years.

QUESTIONMARKS:

- Saint Martin wine – the company brings it to the market in 2006 for the first time;
- special wines – ice and straw wine ; the revenue share of those wines will probably be low because of a relatively high price – from 420 to 490 CZK per 0.75 l bottle; it is the supplement of the product portfolio with sweet wines made by special technology;) Special wines are an interesting export item since there is no competition for them abroad;
- Spirits (peach, plum, pear and cherry distillates)
 - insufficient propagation of those products, their withdrawal from the product portfolio is considered.

POOR DOGS:

– Sparkling wines – these are used to supplement the product portfolio but without technological background it is no longer possible to keep the product on offer.

The highest demand is for the cheaper quality variety wines Blue Portugal and Müller-Thurgau. The company is extending its portfolio on Saint Martin wine, which is launched to the market this year. At the same time, the assortment is enriched by special wines. Quality variety wines are 90% made of the company's own products. The inventories are not big, presently 2005 attributes are being sold. The usual practice is to sell them after two or more years.

The Table 1 shows the decline in the amount of wine sold. While in the years 1999 to 2002, there used to be annual increase in sales, since 2003 sales have been declining. The sales in the individual months of 2006 are the lowest in the last 6 years.

There are many factors behind the wine sales decline. The most effective is presently the entrance of the Czech Republic to the EU, respectively broadening of the market connected to it. The pressure imports of quality wines and lower quality but cheap wines are becoming harder to stand. That is why the Czech wine-producing companies are looking for new activities, most often they enter the gastronomy market where the competition is therefore constantly growing and the sales are being reduced (Figure 1).

The most important customers of the company are catering and gastronomic firms and wholesalers.

The customers are served by two employees of the company. Since 2005, specialized 24 hour wine stores have come into being. Wines from PATRIA Kobylí, Inc., can be also order via internet on the web site of the company. The pages are available in three languages. New customers are acquired mainly in the trade fairs and exhibitions (International fair of drinks to gastronomy Wine & Spirits, Vinex, Forum Moravium).

The PATRIA Kobylí company is viewed as a traditional and conservative wine producer maintaining the same quality of its products with step-by-step launching of new tested technologies, which affects the wine quality in a positive way. The investment strategy of the company confirms this, an example can be seen in the purchase of new pneumatic squeezers or vinificators.

The business aim of the company is to maintain the present customers and deepen the orientation on so called wine-tourism.

The company regularly wins prizes in the wine exhibitions and its wines are also part of the Czech Wine Saloon in Valtice, where every year the hundred of best wines are presented.

When comparing the analysis of success factors over the past two years with that of Bohemia Sekt, Inc., we can see the development of each factor. The changes are both positive and negative.

Table 1. Wine sold from 1999 to 2006

	1999	2000	2001	2002	2003	2004	2005	2006
January	70 625	54 627	94 203	130 078	124 276	101 221	78 812	71 204
February	38 570	67 037	91 311	102 329	88 232	98 030	94 666	84 391
March	51 873	72 139	90 903	122 057	117 782	121 367	86 271	85 305
April	148 676	78 505	105 452	104 961	116 488	116 550	85 008	72 544
May	61 021	80 584	118 683	121 816	112 711	101 727	92 534	86 447
June	50 035	81 741	123 131	105 276	93 978	110 612	90 463	84 163
July	53 938	82 370	100 380	109 378	104 305	85 600	69 424	59 849
August	57 511	84 109	88 223	90 549	75 987	75 264	91 436	74 114
September	60 107	73 243	94 904	96 862	101 857	75 961	83 096	69 792
October	64 240	99 921	126 907	126 486	110 915	107 994	90 082	90 000
November	74 478	123 838	145 614	124 649	154 916	116 147	96 013	96 003
December	87 726	121 755	144 787	145 759	156 352	126 447	121 865	120 841
Total	818 800	1 019 869	1 326 499	1 380 200	1 357 799	1 236 920	1 079 670	994 653

Source: Annual reports of PATRIA Kobylí, Inc.

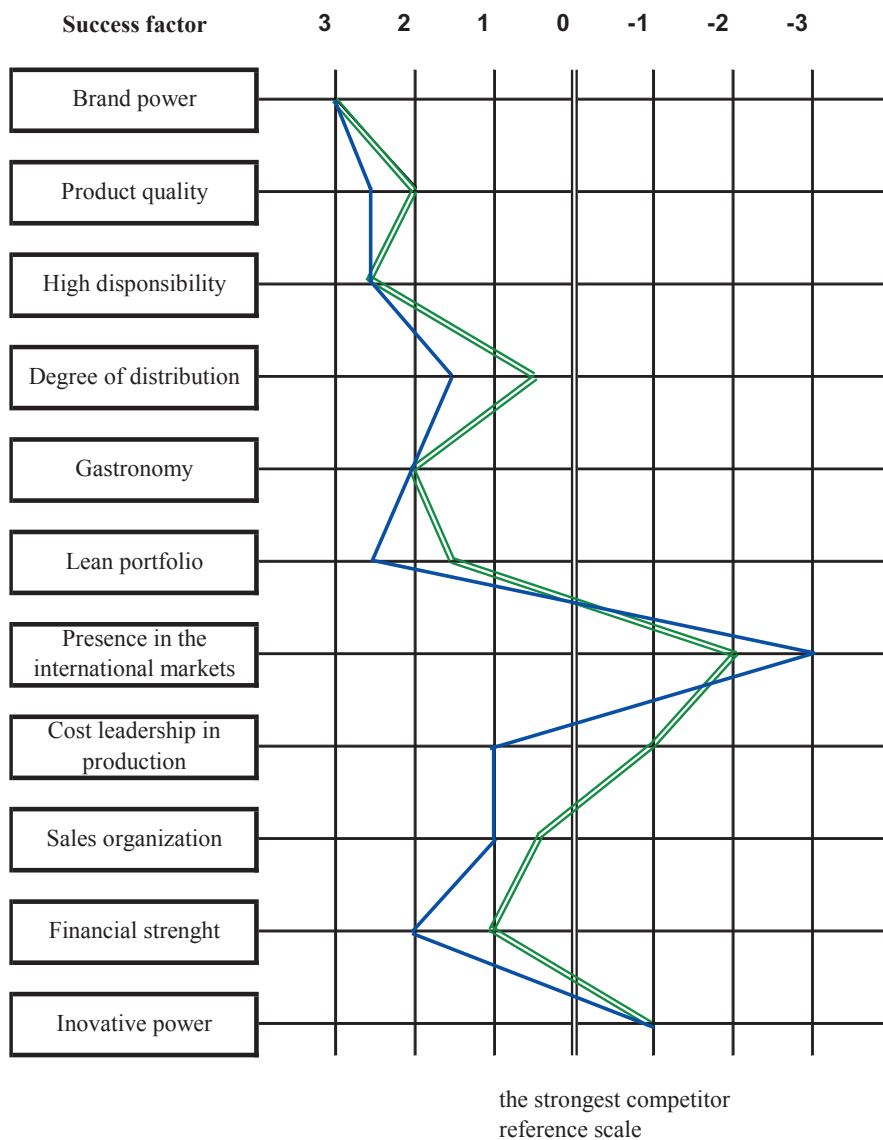


Figure 1. Analysis of success factors

* full line: 2004, empty line: 2006

A significant decline we can see in the terms of distribution in shops, but on the other hand, there is a new factor comparing 2006 with 2004 – gastronomy.

The reason is that the company is focused exclusively on gastronomy and does not supply its products to the shop-chains. It is connected to the vision of the

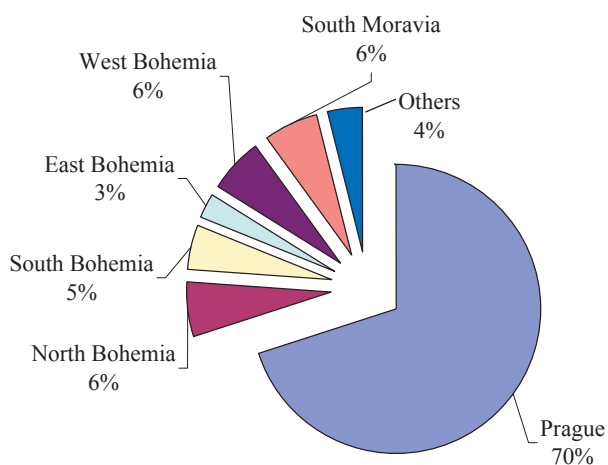


Figure 2. Sales structure of PATRIA Kobyli, Inc.

Source: www.patriakobyli.cz

company to be perceived by the society as a traditional producer of superior quality wines for gastronomy.

Also successful has been the building of new business relationships and finding markets in Poland. Positive progress has been made in negotiations in Germany too. These concern a specific group of originally Czech citizens who emigrated and now run gastronomical businesses in Germany. Their intention is to offer Bohemian and Moravian wines.

There were no significant changes in the regional sales division during the last two years. A new thing is the special wine shop in the headquarters of the company where up to 5% of production is sold. The intention is to increase this to 10%. A key element for future success is to maintain present customers in gastronomy. An important success was acquiring new customers in this sector (Figure 2).

Strengths

- Company name (by customers viewed as traditional, stable and trustworthy wine producer)
- Quality of the product is maintained over a long run
- Regularly won prizes in the exhibitions
- Long term orientation on gastronomy – products are not available in stores which reflect positively in prices
- Popular among consumers
- Quality viticulture – own production, support of small wine makers
- Prestige of the village as Moravian top- red wine region – helped to getting of the prize “Village of the Year in South Moravia”
- Easy identification of the product (unique label, the bottle shape and so on)
- Member of the programme of integrated grapes production
- The company mission – to assure employment in the village and surroundings
- Undertakes market research, updates the web sites regularly
- Adoption of progressive and proved technologies
- Planting out of new vineyards before the EU entrance
- Membership of the employees in many law creating institutions (Council of Viticultural Fond, Commodities Council about Wine, Country Ham, Experts Commission for Evaluation and Classification of Wine)
- Building of new technological line for grape processing, new technological devices such as vinificators or pneumatic squeezers

- Ability to use grants from the EU funds although the bureaucracy is hard to handle
- Sufficient storage capacity – by lowering the sales a part of the device was made free
- Own special wine shop with non-stop opening hours, possibility to pay in EUR
- Reconstruction of the premises to make degustations and company parties possible in the production area.

Weaknesses

- Low marketing activity in sales support activities
- No degustation facilities
- Conservative view of the employees, low identification with the company philosophy
- Many problems in terms of HR management: occupation of positions, promotions, evaluation and remuneration of employees
- Insufficient information system and failing connection of production and sales management
- Low flexibility in responding to changing consumers' requirements caused by conservativeness of management
- Usual problems in logistics – no willingness to buy new cars for staff
- Low support of tourist programmes

CONCLUSION

When examining the portfolio in the viticulture and winemaking division, it was seen that only sparkling wines are classified according to BCG as poor dogs. It means that all other products are on such level or their market share is so big that there is no need to withdraw them from the market. All the vineyards of the PATRIA Kobylí, Inc., are already connected to the programme of integrated production standards, which strictly regulate chemical protection and allow usage of only a few jigs. The sales are boosted by holding of the IP (integrated production) label mainly in the European markets rather than the Czech ones. The company insufficiently informs home consumers about the importance and benefit of the IP mark and so does not persuade them to buy more expensive wine holding this mark. The company should mainly invest into marketing and support of HR development. The company needs to establish staff department and to improve the combination compensation.

The primary task of management is to maintain a long term life-ability of the company based on the continuous creating of the balance between the

internal and external environment. This article analyzes the internal environment of PATRIA Kobyly, Inc., company, whose main agricultural activity is a quality wine production. In 2006, there was sold about 1 million liters of the wine and the aim of the company will not be increasing the sales but the wine quality and services and sales techniques and so maintain the position in the market. To be able to fulfill this aim, it is essential to use strengths and eliminate weaknesses.

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