

QUALITY OF MANAGING MARKETS IN CRISIS (BULGARIAN EXPERIENCE)

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ABSTRACT

When and how will the economies develop after the contemporary crises are very tough questions that haven't easy answers! One of them is directly pointed to the quality of managing the market and customers respectively.

The story shows that Bulgarian enterprises have special understanding of the market and its forces. Thus the understandings of the way how plants managing their markets will give us a point of view how these plants will survive crises!

So, the paper aims to present and to analyze some basic indicators of implementing marketing concept in the Bulgarian industrial plants in the recent crises.

Keywords: market management, crisis, Bulgarian industry

1. PREFACE

Industry growth is desired of any government policy but it should be an efficiently driven process. Bulgarian industry has lost many of its positions since of the beginning of 1990s. But the most important question for salvation is that is connected with implementing the Lisbon strategy and the Strategy 2020: Are Bulgarian management improves the quality of the managerial process for the last 20 years?

There are many reports that show a large process' quality growth. This statement does not so closely cover by the World Bank's competitiveness report [2, 3]. But the industry growth shows that there is a slight improvement of the quality of management. The fields of this improvement are: quality management; human resource management; finance management etc. According to this there is a strong lack of improvement of the methods of managing markets and consumers [1, 9].

We presume that the best quality of managing markets is corresponding with excellence of marketing and sales' process [7]. Therefore the result of best marketing management process is to produce how much we can to sell in a sustainable way. So, we have best quality of marketing management process when we find:

- The marketing management process is based on clear **market goals**.
- The marketing management process improvement is **over time**.
- The marketing management process is **linked to** other processes within the company (e.g. innovation, HRM etc.).
- The marketing management process creates **added value** to the business at all.

Section one of the paper is Preface. A brief explanation of the current market situation provides in Section 2, while Section 3 is focused on the analysis of the key marketing

decisions in the last two years (2009 – 2010), based on firm level data. The conclusions of the study are presented in Section 4.

2. INDUSTRY DEVELOPMENT – THE STORY OF BULGARIAN INDUSTRY (2000-2010)

The key of **improving quality of industrial management** is to define and to understand all possible driving forces in the recent economy and society. Thus, the problem to be solved is to find out the recent crisis' features.

The crisis is a permanent condition of Bulgarian plants as many of managers think so. Their hypothesis is that the crisis' driving forces does not connect with any managerial decision. The crisis exists even against plants' management in many cases!

Thus, the question is: **What determines the presence of a crisis in the Bulgarian economy at macro-, meso- or micro-level?**

As many economists work in that field as many are their answers of the question above. We can find three groups of crises determinants:

First, the crisis describes a particular stage of a company, industrial sector or economy. Therefore, the crisis is a "normal" stage of the economic cycles. The industrial market (national, sector or specific to a plant) is characterized by a decrease in demand (respectively, lasting for a longer period of time and not a result of short-term stochastic effects or because of seasonality of sales), and decrease in production (respectively, supply) at this cycle stage. We can find reduction in the general or specific price level in the economy in this case.

Second, the crisis describes a strategy development stage of an enterprise, industrial sector or national economy. Therefore, the crisis is an extra ordinal situation in the social and economic aspects. So, there is a sharp decline in the economic situation of the country, manifested in a significant reduction in manufacturing, disruption of production relationships, increase the overall level of unemployment and reducing the standard of living.

Third, the crisis describes a functional stage of a plant or industrial sector. The crisis is so-called "competitiveness crisis" in this case. The goods of one plant or even the entire industrial sector does not bring added value to consumers and society. According to this, the crisis leads to a sharp decline in demand for these products. This crisis is a result of lack of innovative products, poor quality of human resources, disrupted domestic production links, etc.

Fourth, the crisis describes a market entering stage of a plant or industrial sector. Thus, the crisis is a result of market optimistic decisions and it is so-called "crisis of overproduction". Plants produce significantly more than they can sell, incl. and because of insufficient sales efforts and/or decrease in consumers' solvency at this case.

Identifying the type of the recent crisis of the Bulgarian economy can be useful for successful plants' salvation. Even more, the knowledge of crisis' driving forces could help managers to improve the quality of their management.

Looking at statistical evidences we can conclude that the recent Bulgarian crises is evaluated as a fourth type one. This means that Bulgarian industry over produce what plants can sell. Thus the hypothesis is that the crisis situation is a direct result of using "bad marketing management" practices. Therefore **Bulgarian industry does not ready to face the European market challenges.**

To find out more evidences for not excellence marketing management quality we can use three industry growth indicators: production indices; turnover indices and price indices.

We can find a confirmation of our hypothesis in tree points according to the data [4, 6]:

1. Production growth in Bulgaria has anticipated sells growth for the last three years. But it is more interesting that turnover indices has dramatically change since the mid 2006 (Fig.1). One reason for this state could be explanation that industrial plants produce more added value products or sell them at more expensive price. Otherwise the state could be as a result of lack

of know-how for free market competition. In addition this state is pointed to the period immediately before Bulgarian membership in the EU. Therefore the common crisis of Bulgarian industry is defined as a medicine for curing EU membership's over-optimism in the industry [5].

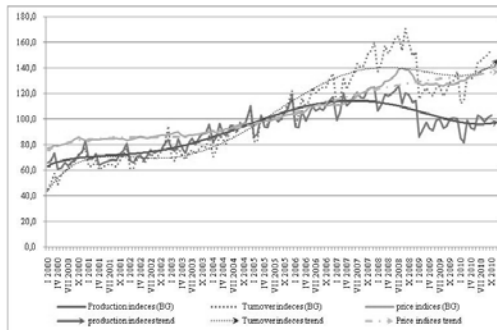


Figure 1. Production, turnover and price indices in Bulgaria (BG)

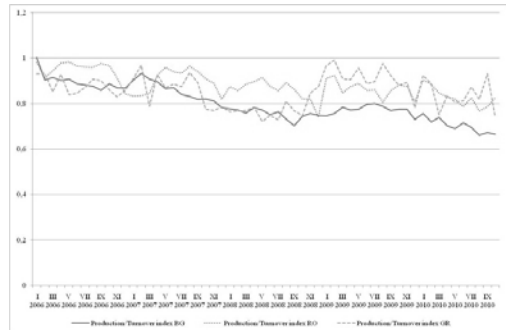


Figure 2. Production/turnover index in Bulgaria (BG), Romania (RO) and Greece (GR)

2. Price indices trend does not follow the industry production's change (Fig.1). The industry prices have been raised slightly for last few years even a big drop of production and sell in the last two years. This state is directly pointed to lack of connection between product price and its added value. So, managers are more concerned on a total profit than on a market presentation. In addition, this state means that market competition in Bulgaria is more on paper than the real one.

3. The ratio between production and turnover indices gives a slight view of the industry development. It has to be close to one (1.00) if the industry and products are developing in a good market environment. The Bulgarian data shows that this ratio drop down continuously for the last five years (Fig.2). This trend is not the same with the ratio change in Romania and Greece as an addition. So, we can conclude that Bulgarian industry is driven by a different set of management and marketing rules.

3. MARKETING PRACTICE OF BULGARIAN PLANTS IN CRISES

The picture above looks very clear – the quality of managing markets in Bulgarian industrial plant is not so close to the excellence practice. But why we have results like this?

For our findings we can look through some basic market-oriented decisions of Bulgarian plants. The analysis of their quality excellence covers some basic ones that give preference to companies not only but especially in a crisis!

Thus we need to know how the marketing problems are accepted as a crisis situation. The analysis covers following marketing problems: decreasing size and volume of orders; undermining the reputation; insufficient information about markets and consumers; lost key customers (Fig.3 and Fig.4) [1, 8].

First, managers perceive that losing customers and/or reducing the volume of their orders are crisis situations. This statement lead to the conclusion that marketing management is not aimed for producing what is sold but for selling what is produced. Therefore the businesses panic when facing crisis.

Second, managers perceive insufficient market information as a low crisis risk one. According to this plants do not collect, process or analyze sufficient information not only for clients but for contractors and competitors. Thus it looks like managers are closed their perception just to their own sell!

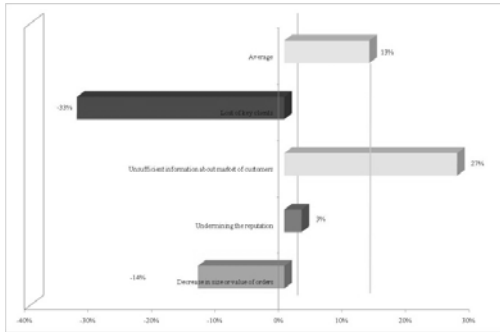


Figure 3. Marketing activities that are perceived as crisis situation

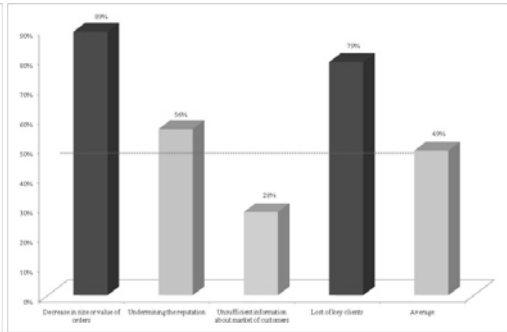


Figure 4. Marketing activities as management crises preparedness

Third, although most of the plants have taken actions to prevent market crisis, data shows a significant discrepancy of crisis preparedness. More than one third of managers are not oriented (now 1.5 years after the beginning of the crisis) how to prepare for losing key customers. In addition, there are a serious percentage of plants that are not targeted efforts for preventing negative trend of the market environment. Just 10% of managers are prepared to prevent crisis by marketing management excellence.

According to the results above we can conclude that most of Bulgarian plants are non-market oriented! Using into account the characteristics of the marketing management excellence we can summarize that as market-oriented plants can be determined just 5% of them and as semi-market oriented ones – the last 40% of them (Fig.5).

Reasons for this low level of marketing management excellence are generalized at market orientation profile of Bulgarian industrial plants (Fig.6).

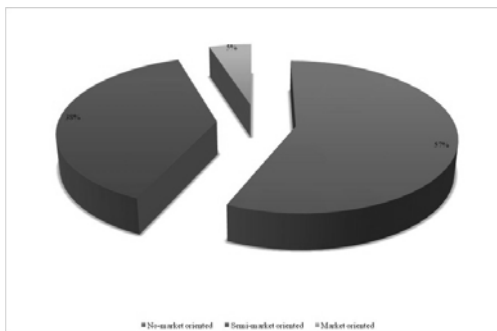


Figure 5. Market oriented management

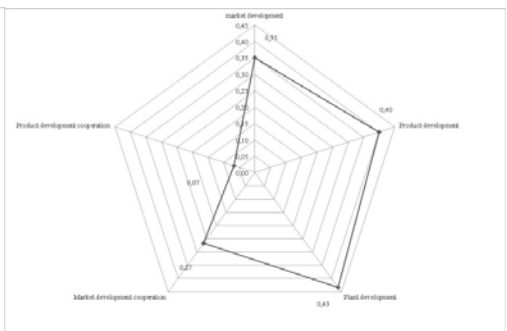


Figure 6. Market orientation profile

1. Big share of the plants are build their management systems to face the product's and plant's development. A slightly less management systems are readiness to meet the market opportunities. So, managers are mainly inside oriented (respectively product and process oriented) that an outside (respectively market) oriented.
2. Market collaboration is not perceived as a marketing management excellence. According to this it's good that 27% of managers participate in market cooperation. But it's too bad that less than 10% of them collaborate for product development.
3. We can find a differentiation in market orientation excellence between plants. The main points of different management excellence are as follows:

- Innovative plants are leaders in market collaboration and creation of partnerships with other market actors.
- Small and medium enterprises (SME's) gain their advantage in high levels of plant and product development. These companies deliver an added value not just to their customers but also to their managers and owners.
- Despite the low level of market orientation, the corporate business has two advantages: a product and company development. The combination of financial and production result is considered as marketing excellence practice.

4. CONCLUSIONS

The question that follows is: How plants to improve the quality of managing markets?

We can find a number of methodological schemes in theoretical terms to answer the question above. Some basic requirements for marketing management excellence are connected with quality of management decisions in marketing as follows:

- To create market advantage for the company, respectively to deliver more value to the company, its management, owners and of course, consumers!
- To invest in marketing, even though a reduction of the financial autonomy of the business. The investments have to be pointed for developing new products, distribution channels or communication with customers and partners.
- To make marketing management accessible and understandable for the staff.
- To make outside orientation of the business rather than an inside orientation into the plant and respectively to create a close relations between staff and marker actors.

The recommendation in practical terms is summarized as follows:

First, to create a willingness to work under market conditions including taking into account needs, desires and interests of customers, suppliers, partners and competitors. This will allow: a quick negotiation with key customers; maintains partnership with suppliers; cooperation with selected competitors for enabling the sharing of costs of developing new products, production technology and production organization.

Second, to ensure suitable conditions to priority report the market needs. This will help with developing of consumer information dataset with: the added value of the product; the share of prices coverage of the total consumer utility; feedback user information.

Third, to optimize the marketing costs including an enlargement these costs that create real perceptible added value and a reduction those costs that do not bring added value. This will help to create an appropriate focus of plants' marketing efforts.

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