ANALYSIS OF THE BAKERY INDUSTRY STRATEGIC GROUPS IN ROMANIA

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The bakery industry is one with as many challenges as any other FMCG (Fast Moving Consumer Goods) industry. In this sense, at the basis of each strategic decision, in order to improve competitiveness, on a constantly moving market, is the knowledge of competitors, the actions taken by them but also the innovation processes in which they are engaged. This paper aims to analyze the strategic groups formed in the bakery industry in Romania in terms of competitiveness. The paper begins with the analysis of the bakery industry, based on the parameters identified in the literature, continues with the investigation of strategic groups of the analyzed industry, according to the number of products sold and the geographical coverage of its players. Some of the paper results include a series of possible solutions and decisions that each company could apply, considering this segmentation. Analyzing the strategic groups of the bakery industry in Romania using current data and innovative analysis methods. The results of the study revealed a map of the strategic groups formed in the bakery industry, useful for companies in order to establish future strategic directions for maintaining or increasing their competitive position in the market in which they operate.

Keywords: strategic groups, bakery industry, competitiveness.

INTRODUCTION

The year of changes, as it is considered 2020 by more and more economic analysts, brings a lot of changes in the bakery industry in Romania, where all the players in the last years have been in decline due to the low consumption of bread. According to recent studies (GfK Romania, 2019), the consumption decreased from 9.8 kilos to around 8.2 kilo monthly per each Romanian resident. Thus, starting from the changes of the consumption habit in the pandemic context of this year, the companies found themselves in the situation to take quick decisions to change strategies at the company level, strategies adapted to current needs and in a continuous movement of the market.

The bakery industry is one with as many challenges as any other FMCG (Fast Moving Consumer Goods) industry. In this regard, the basis of each strategic decisions to improve competitiveness on a constant moving market is knowing the competitors, their undertaken actions and also the innovation processes they are engaged in. An industry dominated by the traditional white unpacked bread until few years ago, started to reinvent itself, as the consumers tastes have become more refined. This is how, although white bread stays on top of consumers' preferences, other types of bread became more popular, such as types of artisanal bread, rye or seeds bread, due to the healthy trends. Consumers are more concerned about what they eat, meaning they want to eat healthy and tasty products, and the producers had to adapt to their changing tastes.

The paper aims to analyze the current framework where the bakery industry is, its main players and how they form strategic groups, as well as illustrating the way that they compete in the analyzed industry.

THE STRUCTURAL ANALYSIS OF THE BAKERY INDUSTRY

The structure of an industry has a strong influence in determining the rules of the competitive game, influencing the potential strategies for the companies that carry out their activity in that field. The essence of formulating a strategy is to link companies to their environment. Because the environment of companies is a fairly broad term, the key aspect is given by the industry or industries in which they compete. The industry, in this paper, will be defined as all the companies that produce close products, easily to substitute in final customers buying decision.

The intensity of competition in an industry is not a game of chances. Its roots are in the basic economic structure and exceeds by far current competitors' behavior (Deselnicu et al., 2008). How it is a competition in an industry depends on the five basic competitive forces illustrated by M. Porter, presented in Figure 1:

Figure 1. Forces driving the industry competition. Source: Porter, M.E. (1998), p.4.

The collective strength of the forces illustrated in figure 1 determines the profit potential of an industry. Not all industries have the same level of potential and attractiveness. The purpose of the competitive strategy for a company in an industry, in general, is to find a position in which it can best respond to the competitive forces, in the sense of defending themselves from them or influencing them for their own purposes. The set of 5 forces determines the intensity of competition and the profitability of the industry on which they act, and companies must determine very well the forces that act most strongly on their fields of activity, so as to formulate the most appropriate strategies (Popescu, 2017).

The bakery industry in Romania is extremely fragmented in terms of the fact that there are many small competitors, bakeries that operate on the specifics of local markets. For this reason, the authors decided to analyze the competitive situation for the first eleven competitors, which have the strongest impact at national, whose turnover (CA) in 2019 totaled represents approximately 25% of industry's sales, industry estimated by experts at 6.5 billion RON.

In order to familiarize with the size of the analyzed competitors, table 1 was prepared, showing the status of the 11 main players in the bakery industry, considering the turnover of year 2019 (Ministry of Public Finance, 2020), their main characteristic, the approximate number of products marketed, their dominant strategy and number of production units/logistics units, owned by each one:

Table 1. Presentation of the main competitors in the bakery industry, in Romania

Name of competitor	Turnover 2019	No of branches (included franchisees and hubs)	Characteristics	Nr of products sold	Dominant strategy
VEL PITAR SA	509,194,782	18	produces and sells packaged, unpackaged bread and toast bread with a shelf life of 0-21 days	~200	differentiation strategy
OLTINA IMPEX PROD COM SRL	426,958,064	1	produces and sells packaged, unpackaged bread and toast bread with a shelf life of 0-21 days	~50	differentiation strategy
BOROMIR IND	313,966,969	4	produces and sells packaged, unpackaged bread and toast with a shelf life of 0-14 days	~50	differentiation strategy
DOBROGEA GRUP SA	169,295,780	2	produces and sells packaged, unpackaged bread and toast with a shelf life of 0-21 days	~50	differentiation strategy
AGROPAN IMPEX SRL-PANIFCOM	49,466,510	1	produces and sells packaged, unpackaged bread with a shelf life of 0-7 days	~30	differentiation strategy
FRONTERA TRADING SRL	25,746,139	1	produces and sells packaged, unpackaged bread with a shelf life of 0-7 days	~30	differentiation strategy
BAKE EXPERT SRL	25,055,892	1	produces and sells packaged, unpackaged bread with a shelf life of 0-7 days	~30	differentiation strategy
GREWE	21,060,834	1	produces and sells oval packaged bread, dense bread with a shelf life of 5 days	~30	differentiation strategy
KARAMOLE GOS BAKERY	15,292,439	1	produces and sells exclusively toast bread, with a shelf life of 28 days	~10	differentiation strategy

Analysis of the Bakery Industry Strategic Groups in Romania

Name of competitor	Turnover 2019	No of branches (included franchisees and hubs)	Characteristics	Nr of products sold	Dominant strategy
SMART FOOD SOLUTION-SAVORIA	3,864,639	1	produces and sells exclusively toast bread, with a shelf life of 28 days	~10	differentiation strategy
FABRICA DE PAINE SERBAN SRL	24,130,480	1	produces and sells packaged, unpackaged bread with a shelf life of 0-21 days	~15	differentiation strategy

Continuing the process of analyzing the competitive situation in the bakery industry, figure 2 was made, to illustrate the map of production units for competitors already presented in table 1:

Figure 2. Map of factories and hubs of the main competitors in the bakery industry, in Romania. Source: created by the authors.

In this map, one can easily observe the fact that the strongest area of Romania is the South, where are the headquarters for the most important of the 11 competitors and where there are the largest units of production in the industry.

Analyzing the bakery industry in light of the 5 strengths, research of the authors have revealed that the most dominant forces for this industry are threat of substitute products and potential entrants. The first of them is important because for the moment, the star product in this industry is unpacked white bread, a very easy product to be substituted by the end consumers.

The second important force protects the biggest players, because the start-up costs for a company in this industry are very high, if that company really wants to be a significant player. The last-mentioned force affects or protects each one of the eleven, in different proportions - for example: Vel Pitar is protected by new entrants because of

the scale economies, Oltina and Dobrogea Grup, also Boromir benefit of a vertically integrated business (regarding the acquisition of main raw materials - that is flour).

THE MAP OF STRATEGIC GROUPS

In his books, M. Porter (1998) defines a strategic group, in short, as being a framework all the competing companies on a market, whose behavior is similar. The criteria on which companies that compete in a market and that belong to a strategic group are identified, refer to their behavior resulting from similar approaches to market mechanisms. These criteria refer mainly to: targeting the same segment of consumers; satisfying the needs of consumers by offering products with similar main characteristics; use of the same distribution channels; offering products that are at a similar level as quality/price ratio (Russu, 1999).

Analyzing the way of forming strategic groups in the Romanian bakery industry, using the analytical tool called "map of strategic groups", launched in the literature by M. Porter, resulted four strategic groups. These groups were formed by considering two strategic dimensions, namely geographical coverage and the number of products marketed by the main players of this industry:

Figure 3. Map of Strategic Groups in the bakery industry. Source: created by the authors

From the picture of the strategic groups formed in the analyzed industry, Vel Pitar stands out by far, as being the strongest competitor in the industry, from the analyzed points of view. Its main followers seems to be those from Boromir and Dobrogea Group and in secondary, the ones from Oltina (thanks to the private label projects, especially for toast bread). The other strategic groups, even if they were trying to adopt the same strategy, do not have the resources or capabilities of those three mentioned above, in order to succeed in causing them problems. The third group has more local players, with tradition in their markets: they market products in big cities, but, with some products, they also target the largest market in the country, the Bucharest one. The fourth group focuses on secure contracts with IKA (International Key Accounts), adopts the

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centralized delivery method at the logistics platforms of large retailers, which limits them in product distribution.

CONCLUSIONS

This analysis model is a new one for the Romanian bakery industry, an industry rather seldom analyzed, but one with a huge potential for selling value-added products, helped, in this particular moment, by the economic context, namely, changing consumption habits and growing consumers preferences for packaged bread. This can be explained by the sense of security given by packaged bread for consumption.

The two axes that make up the functional model for analyzing strategic groups can be adapted and interpreted considering many more of strategic dimensions. Such dimensions can be: the model is a dynamic one, which can be used as a starting point for any competitive analysis, for any company regardless the industry; it is also an important model based on which a company's strategies can be adopted or changed, depending of the moment in which the industry is, the dimensions analyzed, but also of the purpose for which this functional model of mapping competitors using a map of strategic group is used.

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