



CONSUMER PERCEPTION OF COMPETITIVENESS – THEORETICAL-INSTRUMENTAL APPROACH

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Abstract:

Behaviorist economic approach has recorded a quantum leap in a relatively short period of time, as studying the relationship between consumer behavior and companies' strategic decisions based on market competitiveness are no longer an unknown area. However, this issue remains actual in view of the fact that during the decision process of purchase, consumers do not always behave rationally, as they are the only ones who can appreciate if the offer of the company, in terms of range, quality, price and auxiliary services meet their needs or not. In this context, this paper aims to deepen the existing interconnection between the market decisions of the enterprise and consumer behavior, as measure standard for the competitiveness of a firm on a certain market.

Key words: competitiveness, market competition, consumer behavior, targeted market segment

1. Introduction

Starting from the transposition of the definition that Denner gives to marketing in a highly suggestive relationship, namely marketing = demand + profit, the connection between profit, as a leitmotiv of the existence of enterprises on the market and consumer satisfaction, as a means of achieving this goal, is obvious (Balaure, 2004). However, we must emphasize that in order to achieve this goal, i.e. profit maximization in terms of meeting the demand in superior parameters, the company must take into account the economic and social environment to which it is connected, competition being a key factor of many strategic decisions.

The issue of competition / competitiveness has often been debated in the work of many specialists, and the approaches are different from one author to another. They can be structured as follows (Jordan & Pelinescu, 2014):

- Approach based on the theory of price competitiveness;
- Approach based on strategies and management;
- Historical and socio-cultural approach;

- Approach from the perspective of competitive advantage;
- Sustainable development approach.

In this context, the concept of competitiveness also gains multiple definitions, and there is virtually no universally accepted definition.

One of the most recent approaches of competitiveness is conducted under EU auspices by Karl Aiginger (WIFO), Susanne Bärenthaler-Siebert (WIFO) and Johanna Vogel (WIFO), in the paper published in October 2013, entitled "Competitiveness under New Perspectives". According to this approach, competitiveness can be defined as "the ability of a country (region, location) to deliver the beyond-GDP goals for its citizens" (www.foreurope.eu).

According to the same approach, the determinants of competitiveness can be structured and analyzed as follows:

- Price competitiveness, which raises the issue of costs of factors of production and productivity;
- Quality competitiveness, extremely important for industrialized countries which record higher income from achieving socio-environmental objectives;
- Competitiveness through results, which includes an analysis based on three pillars, namely: economic (income pillar), social (social pillar) and environmental (ecological pillar).

In the context imposed by the current economic globalization, the definition given by the OECD (Organisation for Economic Cooperation and Development) seems highly interesting: competitiveness is "a measure of a country's advantage or disadvantage in selling its products on international markets" (www.stats.oecd.org).

Under these circumstances, from the perspective of the requirements imposed by economic globalization, the competition between companies is moving to areas for action aiming at (Ogorean, 2007): Generating and promoting innovation; Rapid uptaking of the latest acquisitions of state-of-the-art science and technology; Access of the companies to the latest and most relevant technical, economic and commercial information; Promoting a credible image to the public; Creating inter-firm strategic alliances, for the interactive development and management of competitive skills and capabilities.

Whatever the approach, we can appreciate that firms and markets are not competitive as long as they fail to persuade the consumer to react to market signals.

2. Overview of Romania's competitiveness in the global economic space

Although the manufacturing sector has played an important role in the economic growth recorded in the past, Romania can only be classified in the group of the "pursuers" in terms of competitiveness, recording a rate of 0.33% of the GDP worldwide. On one hand, this can be explained by the lack of real support of the activity of small and medium enterprises (SMEs), as an engine of economic growth, and on the other hand by a poor financial resource allocation to research, development and innovation in science and technology.

Based on the data published by the World Economic Forum (www.reports.weforum.org) in 2015, regarding the performance recorded by the world countries in terms of competitiveness, Romania is only 53rd out of 140, with a score of 4.3 on a scale from 1-7. The leading positions are occupied by countries such as Switzerland, Singapore, USA, Germany and the Netherlands.

In determining the global competitiveness index, the above-mentioned organization took into account 12 indicators grouped into three subcategories, namely:

1. Primary indicators, including institutions, infrastructure, macroeconomic development, health and primary level education;
 2. Efficiency indicators, which include the analysis of efficiency in terms of education in higher education institutions and training, goods market, labor market, financial market, technological development and the market size;
 3. Indicators of innovation, analyzing business sophistication and innovation.
- (Fig.1. Global competitiveness index for Romania)

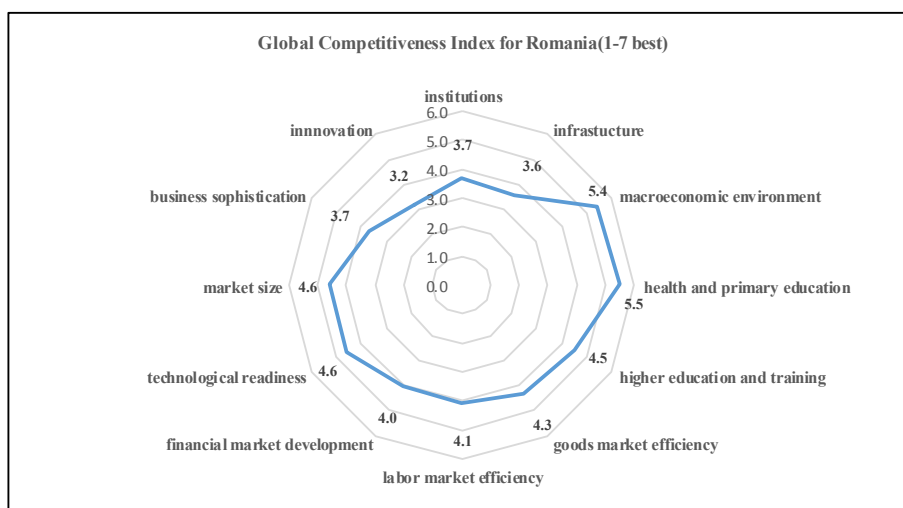


Fig.1. Global competitiveness index for Romania

Source: World Economic Forum, Global Competitiveness Report, 2015

Although the Ministry of Economy has developed *The National Competitiveness Strategy* (NCS) 2014-2020, through consultations with both the private sector and with line ministries (especially the Ministry of Agriculture and Rural Development, Ministry of Education, Ministry of Regional Development and Public Administration), aimed at correlating the interventions targeting competitiveness, and given the national fields of excellence, including in terms of territorial dimension and rural development, the lags recorded by our country, even at European level, remain high.

3. Consumer behavior and market competition - secondary data sources analysis at European level

The issue of correlation between consumer behavior and competition might be reduced to the provision by companies of relevant information about the products offered and their placement on the market at affordable prices to consumers, but that only in the case of consumers who behave fundamentally rationally, according to genuinely economic criteria. In reality, consumers do not necessarily buy lowest price or best quality products and then it becomes obvious that the company's marketing decisions must be correlated with consumers' responses given the fierce competition on many markets.

The role of the competition is to help the consumer satisfy their real needs, to decide according to preferences, being exposed to many alternatives offered by companies, thus responding either to economic motives, or to some extra-economic ones.

In addition, the consumer depends on a certain purchase and consumption behavior, either based on their own experience or on the example of other consumers, in which case the inclusion of social influences as determinants of consumer behavior is essential in analyzing their behavior.

In this context the Flash Eurobarometer no. 403 study, published by the European Commission in March 2015, appears to be extremely relevant. This study, conducted at EU level 28, pursues several basic objectives related to the European consumer perception on competition, namely: Perception on the impact of competition between firms; Personal experience on issues arising from lack of competition in certain sectors; Previous knowledge and available sources of information on competition policy.

According to data published in the study mentioned above, it can be seen that the majority of Europeans (74%) have a favorable perspective on the impact competition has on them as consumers, while only 19% have a negative opinion in this regard. (Fig.2. The effect of competition on European consumers).

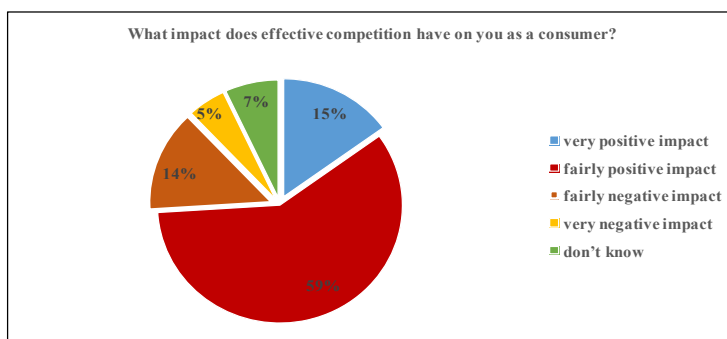


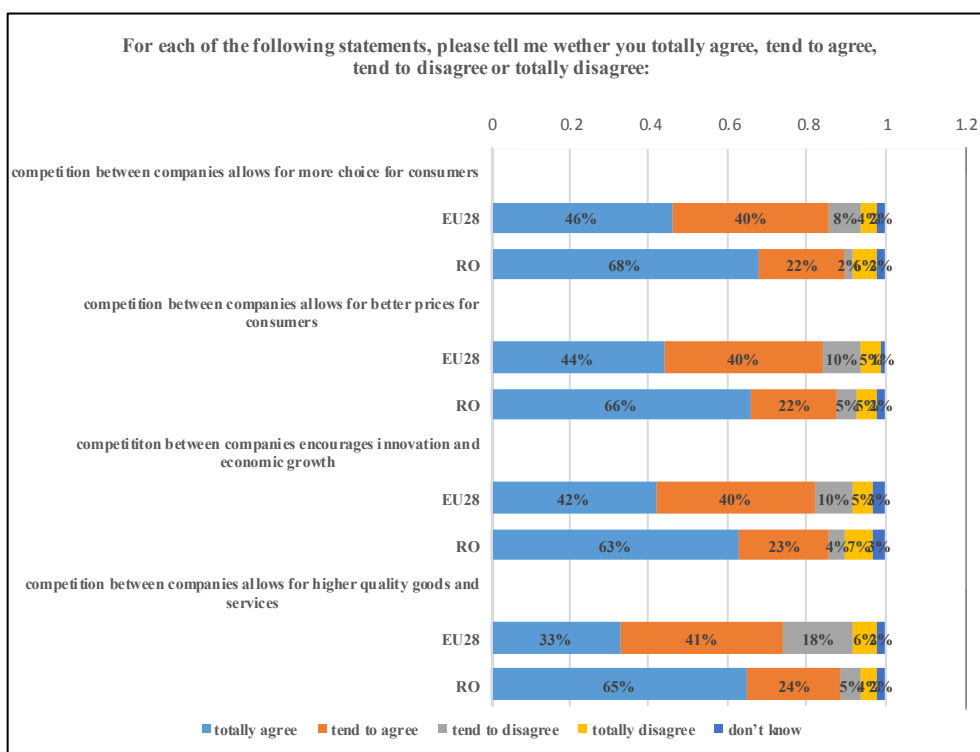
Fig.2. The effect of competition on European consumers

Source: European Commission, Flash Eurobarometer no. 403 – Citizens' Perception about Competition Policy, March, 2015, p.14

According to data published in the study mentioned above, it can be seen that the majority of Europeans have a favorable perspective on the impact of competition between firms, 86% of respondents stating that the existence of competition among bidders gives them more choice, while 84% of Europeans felt that the advantage of competition between companies on the market results in more affordable prices. (Fig. 3. The perception of Europeans on the benefits generated by competition between firms)

Moreover, the benefits of competition by encouraging innovation and stimulating economic growth have been positively perceived by 82% of Europeans, while improving product quality as a result of market competition was judged favorably by 74% of respondents.

Fig.3 Perception of Europeans on the benefits generated by competition between firms

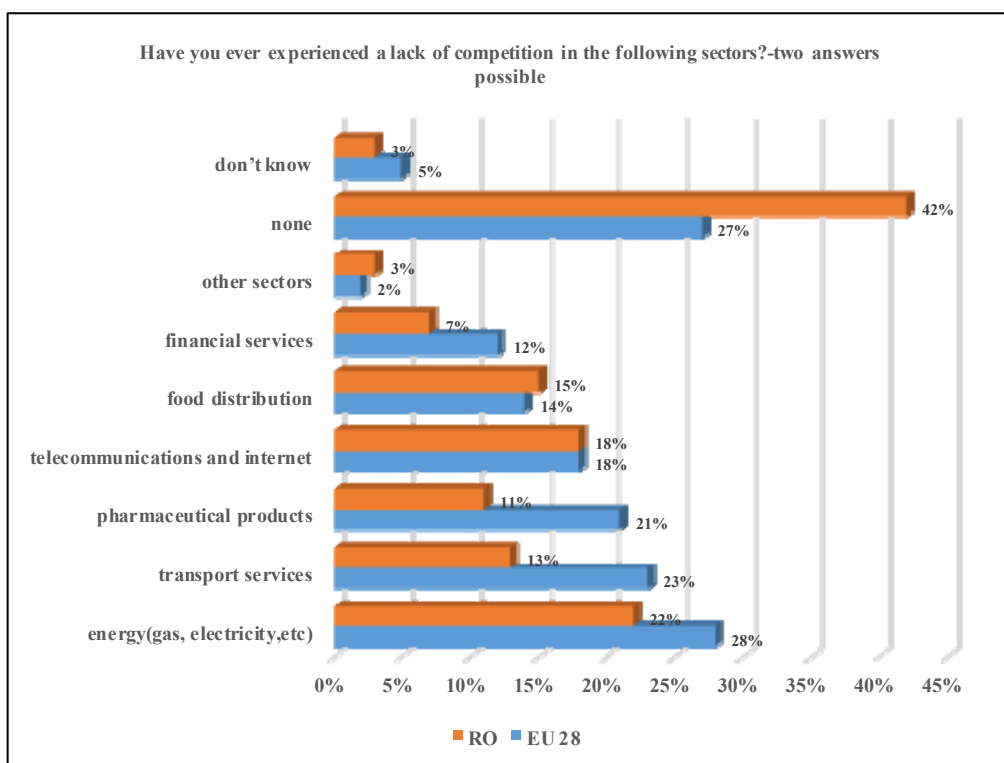


Source: European Commission, Flash Eurobarometer no. 403, Citizens' Perception about Competition Policy, March, 2015, p.6

From the above analysis of the data presented, it can be seen that in Romania, the majority of respondents were in total agreement with all four benefits considered as advantages to the existence of market competition, the frequencies recorded being above the levels seen at European level.

Regarding the responses recorded to the question related to the sectors where the respondents were faced with a lack of competition, surprisingly, 42% of the Romanian consumers have declared that they have never experienced a lack of competition in some sectors, the proportion of the respondents who gave the same answer at European level being of only 27%. The main sectors where problems were experienced due to lack of competition were energy (28%), transport services (23%) and pharmaceuticals (21%) (Figure 4. The economic sectors where the lack of competition was felt most acutely)

Fig.4. The economic sectors where the lack of competition was felt most acutely

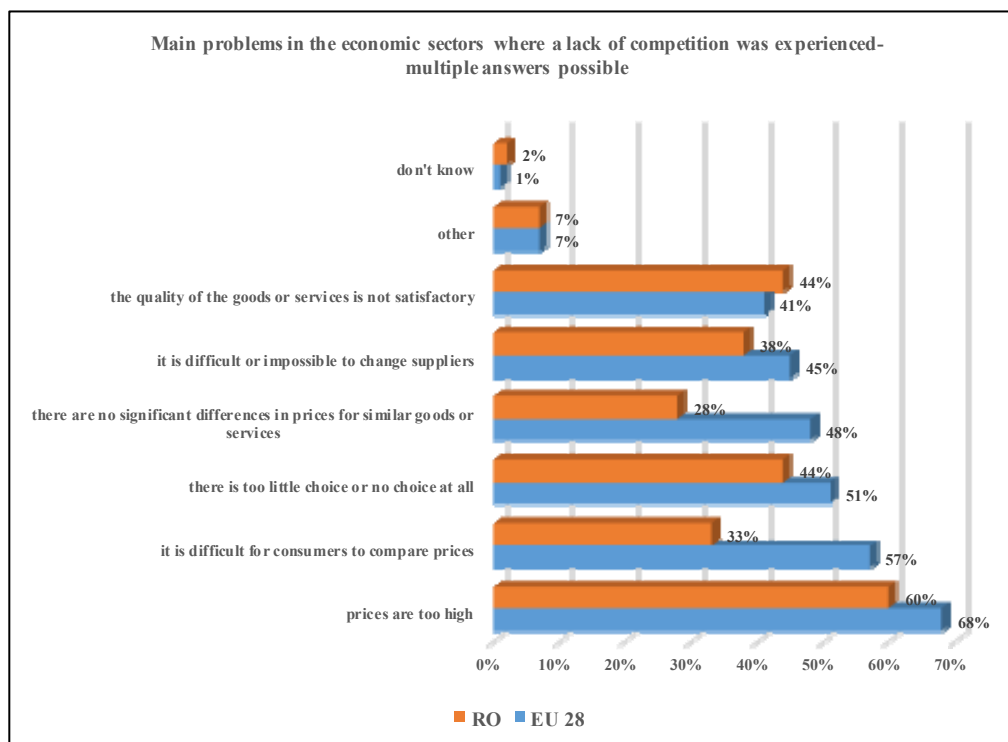


Source: European Commission, Flash Eurobarometer no. 403 – Citizens' Perception about Competition Policy, March, 2015, p.18

In what regards the issues raised by consumers in the economic sectors which experienced the lack of competition, most of European, namely 68%, indicated that the main disadvantage is the fact that prices are too high, while 57% of them declared that it was difficult for consumers to compare prices, and 51% said they were too few options or that there were no options for the consumers. The other problems caused by the lack of competition showed high frequency responses at EU level 28. (Figure 5. The main problems faced by European consumers in areas experiencing the lack of competition)

In Romania's case, the results published in the mentioned study reflect a slightly different perception of the consumers, as they also indicated too high prices as being the main problem generated by the lack of competition between bidders (60%), while 44% of the respondents indicated less satisfactory quality of products and difficulty in comparing prices, as other problems caused by the lack of competition on the market.

Fig.5. The main problems faced by European consumers in areas experiencing the lack of competition



Source: European Commission, Flash Eurobarometer no. 403 – Citizens' Perception about Competition Policy, March, 2015, p.24

The data related to information sources through which consumers were informed about competition policies are also very interesting. It is well-known that they play an extremely important role in raising consumer awareness on the various stimuli that can influence social behavior in general, and purchasing behavior, in particular. (Fig. 6. Sources of information on competition policies)

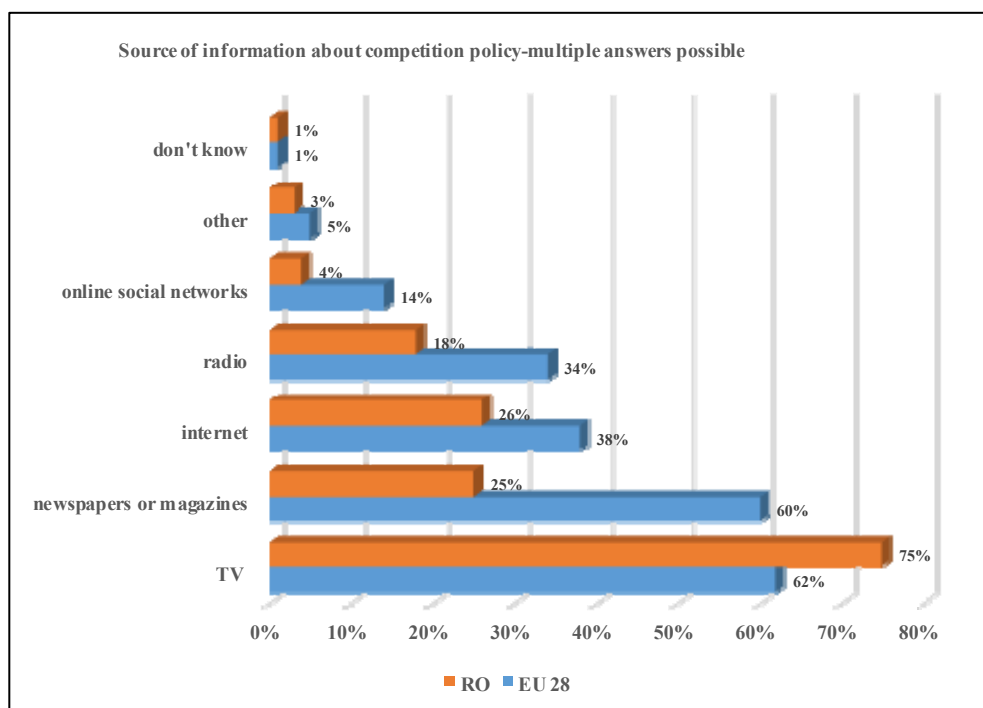
Thus, the variations recorded at European level between responses of consumers from various countries are highly relevant if they are correlated with other aspects of the economic and technological development in that particular country.

Romania (75%) along with Portugal (78%), are the countries television was indicated as being the main means of informing consumers on competition policies. On the other hand, Romania recorded some of the lowest frequencies regarding media

use (25%) and social networks (4%) for raising public awareness on competition policies.

As for the behavior they might display in the event of a major problem related to competition, both Romanian consumers and consumers in other EU member states indicated consumer organizations (69% UE28 and 54% RO) and, the National Competition Authority (40% and 30% UE28 EN), as the institutions that they would turn to in such a situation.

Fig. 6. Sources of information on competition policies



Source: European Commission, Flasheurobarometer no. 403 – Citizens' Perception about Competition Policy, March, 2015, p.43

4. Conclusions

In order to enhance Romania's competitiveness at international level, a set of measures to support the work of small and medium enterprises (SMEs) must be adopted, by which they will be able to provide consumers the right products and services, at the right prices, by a proper method of distribution and through a communication manner appropriate for the target audience.

In case bidders find effective ways of forecasting market developments and of adapting to the environmental changes, they will be able to increase competitiveness on the targeted market segment, managing to adopt offensive competitive strategies that would generate a better positioning on the market.

In the context of the current economic globalization, adopting a holistic approach without taking into account the local peculiarities of consumer behavior is perhaps one of the major strategic mistakes an organization must avoid. The solution could be to implement a global strategy that considers the local customs and traditions in terms of consumption, since the consumers' positive response is the only measure able to determine an increase in competitiveness at micro and, implicitly, at macroeconomic level.

5. References

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