

STRATEGIC MARKETING MANAGEMENT: STATUS AND DEVELOPMENT OF THE CONTEMPORARY BULGARIAN COMPANIES

This research deals with the theoretical, methodological and practical-application explanation of the interactions between the targeted demand and the creation of a synergy by the company and its management regarding the exogenous and endogenous factors and the elaboration of a strategic market-oriented corporate policy. The paramount importance and the role of synergy are revealed as a major factor of competitiveness, under the present conditions of development of the Bulgarian economy. The necessity of using up-to-date methods of analysis and management of competitiveness is discussed, in order to design an efficient market strategy for the company.

This research makes use of primary information, especially obtained for the purpose - Representative study of the companies in Bulgaria, under the method of semi-standard interview, consisting of 547 interviews with corporate owners and managers throughout the country, held between 23 November – 3 December 2010.

The strategic management and the marketing approach are crucial in the current situation, when the market structures and the characteristics of the economic sectors undergo dynamic processes, especially under the global financial and economic crisis. The monitored changes due to the evolvement of the crisis, as well as the expected short-term and medium-term changes are a strong, significant and real stress factor for the Bulgarian enterprises and their competitiveness. The changes cover the market potentials, the intensity of the competition within an industry, the number and type of operating competitors, the proportions among the strategic groups, the entry and exit conditions of the specific industry (horizontal competition), the entry barriers, the nature of the potential competitors and the threat by new entrants, the price-quality ratio and the threat by substitute products (vertical competition) respectively.

Under the crisis conditions the business environment becomes much more indefinite. One of the hardest factors, determining the growing intensity of the competition within the economic sector is the stagnating and even decreasing purchasing power and respectively the market potentials. The long-term keeping of such states intensifies the competition, affecting the technical & economic optimums and the technical & economic minimums and making the players leave the industry. The strong pressure on the companies magnifies the risk components and respectively the returns. The cost control becomes crucial.

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The structure of the industrial branch is disturbed in view of the available equilibriums among the main ratios of the motive competitive features, between price competitiveness and non-price competitiveness, in direct relation to the types of the obtained market advantages and respectively allocation of the market shares. The intensification of this process is evident in most of the economic sectors by means of the indicators: price index and the differences among the trade marks (even with the more limited indicator: average promotion and advertizing costs per sales unit). This process of strategic imbalance affects powerfully the small- and medium scale businesses, which however are much more adaptive in strategic point of view, on the grounds of the repositioning and focusing strategies. It is very difficult to be overcome also by the big players from the first strategic group. A loop is formed between feed and feedback. Feed – the disturbed equilibrium in the economic sector has a negative impact on the corporate development, feedback– the strategic destabilization of the leading companies enhances and deepens the process of deteriorating the main characteristics of the sector. The dependence is very dangerous with multiplying effect and only the elimination or extenuation of the negative aspects of the external (exogenous sector) factors could make the process abate.
JEL: D22; M21; M31

The rapid development and the dynamic changes are the main characteristic features of the economic activity and the microeconomic corporate management in the early 21st century. The changes can not be achieved successfully by a company, without any strategic preparation. The analysis and forecast of such changes, the reconsidering of the endogenous factors of synergy, of the competitive advantages from the point of view of the situational factors and the inherent strengths and weaknesses of the organization, the optimization of the business portfolio and risk characteristics, the synergy of the system for instrumental market positioning are becoming leading factors, both for the competitiveness of each company and for the general process of successful and efficient economic development.

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Synergy, as a factor for setting up and implementing the strategic market-oriented corporate policy and for the successful corporate positioning on the national and the European markets is a pre-requisite, not requiring large investments and our aim is, along with the measurement and assessment thereof, to publish, disclose and to focus the attention of the corporate managers to its significance, by revealing and analyzing the available good practices to blend the corporate opportunities and the conditions of the business milieu in an optimum market-efficient way from the synergy point of view.

The effects of the management synergy are construed in the broadest sense of the term and are found in two different directions. On the one part, they emerge as a result of a good management of endogenous corporate activity, maximizing the association between the above factors and conditions and their prediction dynamics. They are matched in such a manner leading to maximum effects – synergy of the manageable parameters and the development of the external factors.

On the other part the effects are attributed to the applied high corporate culture and good management practices, borrowed by major competitors (we could adopt their generally accepted division into internal and external form of managing synergism).

This research makes use of primary information, especially obtained for the purpose, applying the method of semi-standard interview.²

1. Level and Quality of the Strategic Market Management

1.1. Management Synergism

Synergy, as a key element in setting up the competitiveness of the up-to-date company should be searched in the performance of more or less effective strategic, market and operative management decisions.

It is a fundamental law of Economic Mathematics, where $2+2 > 4$, representing the effect of common use of two or more factors, which is greater than the sum of the

² Representative study of the companies in Bulgaria, under the method of semi-standard interview, consisting of 547 interviews with corporate owners and managers throughout the country, held between 23 November – 3 December 2010.

effects of consecutive (individual) use of these factors. Synergy effects are found in each rational economic activity, enabling the complete recovery of the used resources on a larger scale and the achieved additional effects – synergies. In addition, the synergy factor improves the results of each factor.

On the microeconomic level, the synergy of the company is an integral part of its market and product activities. It might be due to the specific strategic and market activity of the company or due to joint activities with other companies, groups of enterprises and companies, strategic groupings or associations. The synergy emerges out of common manufacturing or market activities, when being involved in formal or informal organizations and structures to affect in turn the exogenous factors, (incl. government decisions or other types of lobbying), when solving common long-term or short-term problems or when achieving joint objectives, out of vertical (along the marketing chain) or horizontal systematic marketing links and interrelations.

The synergy of the corporate activity, the development of optimum strategic and/or market structure, and the achievement of high competitiveness are closely interrelated.

The synergy analysis on the microeconomic level affects all the endogenous corporate factors and conditions within the company and the development trends of the key external economic and noneconomic factors (demographic, social, political, geographical, etc.). The achieved optimum values of the synergy effects on the work of the companies depend on choosing and matching the factors in terms of strategic decisions and actions and the components of market positioning.

The issues related to maximizing the synergy effects and competitiveness are essential in the course of development of the Bulgarian economy and its market structures under the conditions of the European market. They should be treated with the well-known methods and means, that have been elaborated for the needs of the developed market economies of the West European and North American countries and by means of selected and modified methodological approaches, considering the specific conditions and requirements of the current EU enlargement, the financial crisis, the economic stagnation, the specific market conditions and requirements to SE European companies, especially to the Republic of Bulgaria. The discovery and measurement of the synergy effects when designing industrial development strategies, the determination and argumentation of the top priority economic spheres, the policy of effective integration into the European and global markets would not be successful without analyzing the opportunities and the indispensable conditions for competitive market presence of the companies and the organizations.

The Competitiveness, as an expression of the accomplished synergy effects, is considered on three levels – macro, meso and micro level, with different methods, methodology and tools of analysis on each level. An extremely important element of all these studies is the knowledge of the basic market structures, the expansion of consumer priorities, the expected change in the competitive characteristics and other environment elements, whose assessment requires both a large scope of latest information, and a high level of evaluation by experts.

The macroeconomic research and methodological issues of the competitiveness of the Bulgarian economy are interrelated with the export specialization, the establishment of sustainable clusters of vertically integrated specialized export-oriented industries.

The investigation of the competitiveness on the meso level enables us to assess with priority individual sectors, subsectors and industries and to make a substantiated choice when fixing priorities. This type of analysis becomes the basis for establishing future economic and industrial development strategies.

According to the current strategic management guidelines the assessment of the attractiveness of the product markets and the segments of the overall corporate market for operation, should be followed by an analysis of the status of the competitive situation for each of them, i.e. for each strategic business unit. This is an opportunity to determine the nature and the force of the competitive advantage of the company over the other actors on the market and within the respective strategic group.

The competitiveness analysis aims at establishing the type of competitive advantage, appropriate for the presentation of a company, brand or product, evaluating the degree of protection of this advantage, taking into account the competitive situation, the ratio of the existing forces and the positions held by the competitors. When elaborating a corporate strategy such an analysis is a must. It is based on measurement and prediction of the components of enlarged rivalry, the main competitive forces; the competitive advantage, and how to achieve it; the close interrelation and the importance of concepts like competition, quality, competitiveness, competitive advantages, strategic planning and management.

On the practical and on the theoretical and methodological level it is important to answer the question: What is the real status of this part of development of the market strategy of the Bulgarian companies?

1.2. Basic Strategies. Strategic Plan and Mission

The basic corporate strategy focuses the establishment of the synergy factor of corporate management, having the following basic effects:

- synergy of conscious and integrated corporate management by means of a mix of decisions, targeting the achievement of global optimums based on the systematic approach by subordination of the local optimums (in a few cases, especially in the corporate economics, the global maximum is a sum total of the local maximums). The reflective, uncoordinated management decision-making process is avoided, (Henry Mintzberg, Harvard, Lawrence, William Glueck, New York, 1979)
- synergy by subordinating in time of the long-term, medium-term and operative objectives, priorities and action plans, resulting in optimum allocation of

resources, being one of the key assignments of the strategic market planning and management (Alfred Chandler, University of Massachusetts).

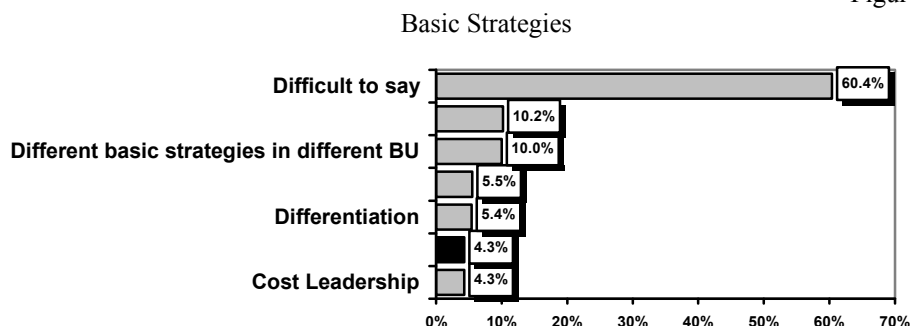
- synergy by coordinating the management activities of the company, of the business analysis, via the decisions of diversifying and the strategic positioning, optimizing the corporate business portfolio, allocating the resources, location and characteristic features of its competitive shares, strategic steps, etc. (The concept was designed and developed at Harvard Business School by authors like Roland Christensen, William Guth, etc.).
- management synergy, resulting from the simultaneous optimizing the activities of two large groups of factors – exogenous, external factors for the company and endogenous, internal factors – the manageable parameters of the corporate management. The results of this kind of synergy are an element of the modern strategic management and the applied methods and tools. (Michael Porter, Harvard Business School). According to the founder of the modern business strategy as a research sphere and academic subject - Michael Porter strategy is a reply to the threats and opportunities, that have emerged outside the company and the corporate strengths and weaknesses, intended to gain a competitive advantage”. According to this definition, business strategy becomes a synonym of the competitive strategy and the above-mentioned methods, such as SWOT-analysis, situational analysis, analysis of the competition structure and the main competitive forces, value chain, etc are directly derived thereof. Some of them are included in the survey and the results are presented.

This concept was further developed and specified, including new methodological and systematic studies, having a direct impact on the real corporate planning and management. On their basis a new type of management synergy was derived, according to the management levels. The theory (definition) of the strategy levels and the differentiation of the management assignments was supported and developed by many contemporary authors, such as Igor Ansoff, Kenneth Andrews, etc.

The good corporate management requires not only coherence and lack of contradictions among the corporate, business and functional strategies, but also to derive bonus effects from the established links among them.

The question about the basic strategies was difficult for most of the interviewed persons, 60% of the participants in the survey were not able to answer which basic strategy was applied in their company and 4% mentioned the non-existing „hybrid strategy” ,10% said, that their company used a mix of several strategies, and other 10% apply different basic strategies for the various business units.

Figure 1



The well known basic strategies: Focus, Differentiation and Cost Leadership are not applied by three quarters by the interviewed company leaders. They are allocated by the users as follows:

- **Focus** – this strategy is applied by 6% of the companies. It is used mainly by heavy industries and tourist companies;
- **Differentiation** – is applied by 5% of the companies, mostly by heavy industries;
- **Cost leadership** – is applied by 4% of the companies. This strategy is employed mainly by companies from the Agriculture sector.

Compared to the investigation made by the author in 2006 during the last 4 years there have not been any significant changes in the development of this indicator – in 2006 – 64% of the companies were not aware of the rationale and the opportunities of the basic strategies and were not of the opinion that their management belonged to neither of them.

The lack of clarity regarding the applied basic strategies, monitored in 65% of the companies is due to the inability to determine efficiently the nature of the pursued competitive advantage, and respectively the kind of the strategic positioning. It results in different directions of the market policies and drop down in the total synergy and the effectiveness of each one.

In the long long-term strategic plan the allocation of the corporate resources is based on the key aims and priorities in allocating the corporate resources, covering the formulation of the mission and the main objective of the company, as well as the fundamental competitive advantages, as a basis of the competitive market positioning. The decisions taken by the managers on this level affect all aspects of the activity of the company, and its objectives are the objectives of each unit of the organization. Actually it encompasses the management of all interactions via the prism of their perfection in the long run.

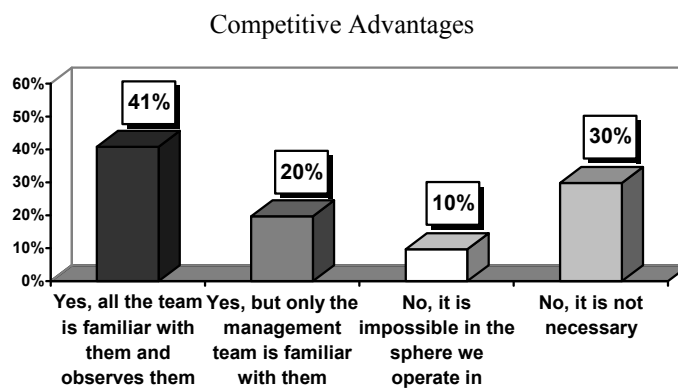
The questions “Has your company a long-term strategic plan?” and “Have you formulated any mission and a main objective of the company?” were answered with "Yes" by 100% of the large companies. (However only 10% said, that the objectives of all the corporate units are derived thereof) The operative decisions, in view of the organization of the activity are strategically consistent in 98.4% of the large companies. Most of them are coordinated with the annual plans, which in turn are subordinated to the strategy of the holding and the affiliated companies.

The replies to these 2 questions give us the reason to come to the conclusion, that the widest concept for formulating a modern market strategy is incorporated in the real activity of the contemporary Bulgarian company.

1.3 Long-Term Competitive Advantage

There is a clear, explicit definition of the long-term defensible competitive advantages, set out in the mission of the company and the strategic objectives of its business units in 70 % of the surveyed companies, and 41% of the interviewed persons point out, that all the team in their company is familiar with the competitive advantages of the company, laying down the foundations of the corporate mission and strategic aim. This trend is most vividly evident in the tourist companies (71% thereof), as well as the companies based in the small cities (57%). In 20% of the companies in Bulgaria only the management team is aware of the mission of the company. It refers predominantly to companies with over 10 employees and to the companies operating in the transport and building sectors.

Figure 2



Unfortunately the objective of the good practice to elucidate and formulate such advantages, being the basis for planning and optimizing the other activities of the functional strategies, is half-way reached. Regardless of the increasing number of factors, resulting in more complete utilization and implementation of the effects of the strategic management activity (26% in 2006, stepping up to 41% in 2010), the deficient endogenous corporate information or the failure to formulate adequately

the competitive advantage and to make all the staff familiar with it, most of the companies, applying up-to-date approaches in strategic planning do not take advantage of the considerable effects that might incur if all the team were familiar with them, although being encouraged and motivated to operate actively in this direction. Compared to 2006, 79.7% of the surveyed companies define the long-term defendable competitive advantage. In 74% thereof, only the management team is aware of this definition, and in the other 26% all the team is informed.

1.4. Structural Analysis of the Competition within an Industry

Most of the companies in Bulgaria monitor and analyse according to various criteria the competition in the sphere of their activity according to individual elements³. 43% of the interviewed persons have a clear view about the average competition intensity within the industry. Most informed are the persons operating in tourism, light and heavy industry, agriculture and construction sectors.

Just 19% of the surveyed persons estimate the intensity of each element, and 13% – only some of them.

A quarter of the company managers and owners consider of companies consider the competition analysis within their own industry not necessary. Thus mainly the representatives of the largest companies and the companies from the transport and service sectors expressed their opinion.

One out of ten company managers does not make a competition analysis due to lack of qualified experts. The deficiency of experts in this sphere is most pronounced in the construction companies and in the agricultural companies.

This information reveals a quite annoying picture of the strategic management of the Bulgarian companies. Under the conditions of crisis, when the major changes are expected to occur in the sphere of the competitive structure, the types and nature of the threats, in the priorities of the competitive forces in each of the sectors, subsectors, branches and scopes of activity, more than 70% of the large companies take strategic decisions, formulate their corporate policy and are going to fight for sustaining and increasing their competitiveness on the grounds of the “average notion” about the intensity of the competition.

Half of the interviewed managers of the surveyed companies, said, that their companies made a preliminary analysis of the competitive companies within the industry from the point of view of the management of the sales. Such a strategy is mostly applied by companies from agriculture and light industries, because the parameters of their products are known in advance and are subject to a specific analysis. At the same time the investments in these two industries depend on the sales.

³ Such elements are: competitive forces, types of threats, generic competition.

One out of five corporate managers mentioned, that he made an analysis of the objectives for setting up a strategic plan of his company. The ultimate goal is to work out the required approach to the business, based on the knowledge of the opportunities provided by the competitive environment. We register a similar analysis for setting up a strategic plan most often with the large companies with over 250 employees, as well as the companies belonging to a joint marketing system. Strategic plans for their companies are elaborated more often than the others by the heavy industry and the transport companies.

A reactive profile of the major competitors is elaborated mainly by the companies, dealing with agriculture and construction. An analysis is made by 12% of the interviewed persons in order to make an image of the competitor, to whom they could react and oppose flexibly and sometimes aggressively.

For one third of the companies, the competition analysis within the industry is unnecessary and they report, that they do not make any. Such a statement is provided mainly by managers of small-scale companies, registered as sole traders.

We hardly need to explain results, showing that 44% of the companies design a reactive profile of each of the main competitors, but this is not a part of the strategic planning and even does not affect it. Without underestimating the role of such an analysis in view of the management of the sales, simply speaking this is a loss of strategic resources, inefficient use of valuable primary information. Only a targeted in-depth research or appropriately selected focus groups could answer the question: How somewhere in the technology of corporate planning such a large part of the companies fail to point out the role of the competitors from the first strategic group, the leading companies in each of the other groups, of the short-term and long-term objectives, pursued by them, the blank spots in their assumptions, the market reactions, expected by them in case of changes in the competitive conditions, etc.

1.5. Analysis of the internal resources and opportunities of the company

Another group of issues in this investigation refers to using current strategic methods of analysis and planning. They consist of well known and widely applied methods, being no novelty for our corporate management. The questions raised are: Which methods are used most frequently? What is their efficiency level, evaluated from the point of view of the current managers.

The most popular method, applied for setting up a corporate strategy by the managers of the companies, involved in this study is the endogenous corporate expert analysis engaging the owners and the experts of these companies. Such an approach is applied in 36% of the companies, subject of the study. Most of the companies are from agriculture and heavy industry, as well as large companies with more than 250 employees and companies with head offices in the metropolitan and large cities throughout the country.

Comparison with leading companies as a method of developing a corporate strategy

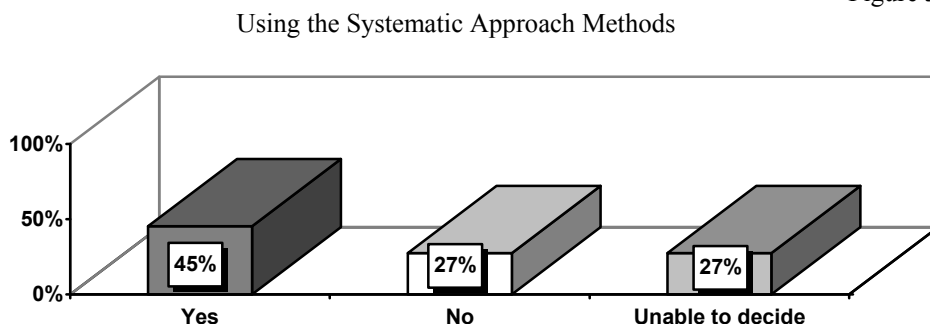
is made by one third of the investigated companies. The light industry and transport companies apply it most often. Logically the leading experience of the large companies is important mainly for the smaller and medium companies. In such cases the necessity of strategic identity of the compared companies should not be ignored, in order to make the results of the comparative analysis acceptable and important in practice. Thus the comparison should be made among the companies of the same strategic group should be compared, in view of the leading companies in the respective strategic group or in view of average indicators for the group.

Analysis of the strengths and weaknesses of the company is performed by 30% of the companies, involved in the study. SWOT analysis is applied mostly by the tourist companies.

The strategy of each fifth company is based on comparison with the average indicators for the sector. This is the most typical approach for the strategy developed by the agricultural companies, functioning mainly in the small cities.

45% of the managers of the companies point out, that they use a systematic approach when taking decisions, regarding the market positioning of their products and services. This view is shared by the representatives of the companies, linked with other companies in a common marketing system, mainly from industry and tourism.

Figure 3



A considerable percentage of the companies, more than 95% make an analysis of the strengths and weaknesses of their activity. This analysis is implemented by all the large companies. The answers to the question: What methods are used by you in analyzing the strengths and weaknesses are divided as follows:

- The expert opinion of the company owners and managers – 46%;
- The Value Chain Model – 5%;
- Expert evaluation by external specialists – 18%;

- Comparison with average indicators for the industry – 12%;
- Comparison with average indicators from the respective strategic group – 5%;
- Comparison with leading companies – 14%.

No positive assessment could be made for the quality of the corporate practice when analyzing and evaluating the internal, endogenous factors. The only good result is, that most of the companies realize the necessity of such an analysis and make it. But how do implement make it, is evident from the fact, that just 5% of the companies, make use of the widespread methodology, called by Cynthia Montgomery the “Value Chain”, which is easy to apply and available for information processing.

It is a universal truth that the employed specialists and managers (which might be the best) are committed emotionally and professionally, for instance with a product they have worked or taken decisions on its development or positioning on the market. The evaluations made by independent experts should not be replaced by evaluations made by the employed managers, experts, specialists. It is called by Paul Peter and James Donnelly a “wicked practice” (Peter, Donnelly, 2002). Often this does not save corporate money and resources but might result in losses for the companies, taking into account how expensive the errors could be.

The question “Has a situational analysis been performed for the needs of Your company” was answered with Yes by 44% of the companies (94% of the large companies). Moreover in 36% of the companies such an analysis was made by the corporate specialists, in 19% – by the corporate specialists assisted by invited external consultants and in just 2% – by a specialized external company according to the respective elements of the analysis. It seems that the situational analysis is not a system of methodologies for searching information and assessing the status and the expected changes in the external factors, but a matter of general knowledge and supplementary research of these factors by means of secondary information provided by the corporate managers and specialists.

The intensity of the analyzed internal (endogenous) factors for the company is much higher than the efforts aiming at the study of the external, exogenous factors. It goes without saying from the point of view of the improved access to the endogenous corporate information and the active nature of the endogenous factors such as the manageable parameters. The main threats, however, result from the changes in the external (exogenous) factors, having a direct impact (via the elements of the horizontal competition) or indirect impact (vertical competitive forces) on corporate results and competitiveness.

The accession to the European markets, means lifting all the barriers to movement of goods and capitals (but not labor). It is related to the amendments in the competitive structure of the market opposition, the kind and number of real players, redefining the strategic groups and serious transformations in the strategic position of each company. The companies should made a specific, in-depth and quality analysis and to predict such processes in their scope of activity and regarding the strategic group

they belong to. The Bulgarian companies should make enormous efforts, considering the state of their current management practice.

1.6. Strategic Partnership

Any activities of the companies under the conditions of market organization of the public reproduction process definitely means available market competition, making them players with opposite interests. However one should not come to the conclusion, that a strategic partnership among them is lacking or is difficult to achieve. The competition is a process, carried out under the conditions of the market supply in contact with the end user, when the competitive advantages of the supplied goods, services or ideas „become” sales volumes or a relative market share. Here the bargaining and the cartel agreements on regional and/or price principle are prohibited and the antitrust laws and the competition protection laws are in force.

Until then, the competing companies encounter the same problem in designing, production and sales. The solving of the problems results in common short-term or long-term interests, creates better conditions for all partners.

The most popular forms of strategic alliance: joint ventures⁴, license agreements, joint shares in third companies, agreements for joint activity, mutual exchange of shares in their own companies, joint entrepreneurship, etc. reduce the confrontation among the competitors, suppliers, clients, concentrating the competitive stress mainly on the market places of the end-users, where the regulatory and stimulating effects of market competition are carried out.

The mutual benefit's effects and results are evident in view of: the joint efforts in R&D activities, common technological development, access to new markets, inputs or energy sources, implementing joint economies of scale, coordinated pressure (lobbying) in view of individual governments or union authorities, output standardization, especially the products designed for the industrial markets etc.

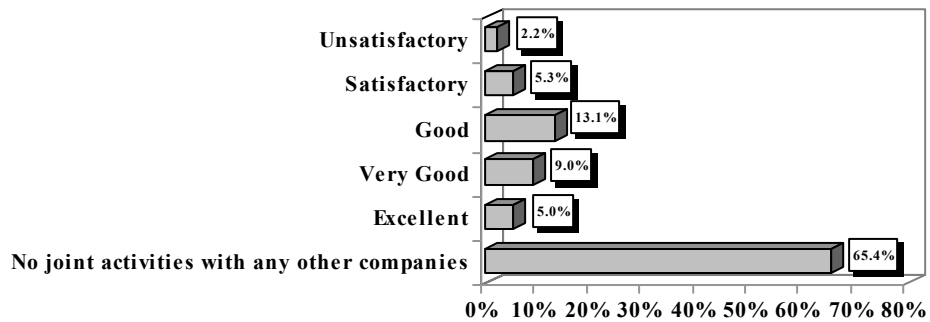
A rapid progress is observed of such processes under the current conditions of development of the industrial and the consumer markets, when outsourcing is becoming the preferred practice for a growing number of companies, resulting in simultaneous effects of increasing effectiveness and reducing the risk of complex activity.

The owners and managers of Bulgarian companies who took part in this survey were asked to assess the effect of the joint activity of the company managed by them with other companies in view of marketing and advertizing.

⁴ For more detail on the definition of the concept of “joint venture” and the differences between it and other types of strategic partnerships: Marangozov, I. (2009), *Characteristics of Domestic and International Joint Ventures in Bulgaria*, Publishing House of the Bulgarian Academy of Sciences “Prof. Marin Drinov”, Sofia, pp. 17-38.

Two thirds of the companies in Bulgaria (65,4%) are not involved in any joint activities with other companies in the sphere of marketing, advertizing, sharing a distribution network, etc.

Figure 4
Effect of Joint Activities in View of Marketing, Advertizing, Joint Distribution Activity

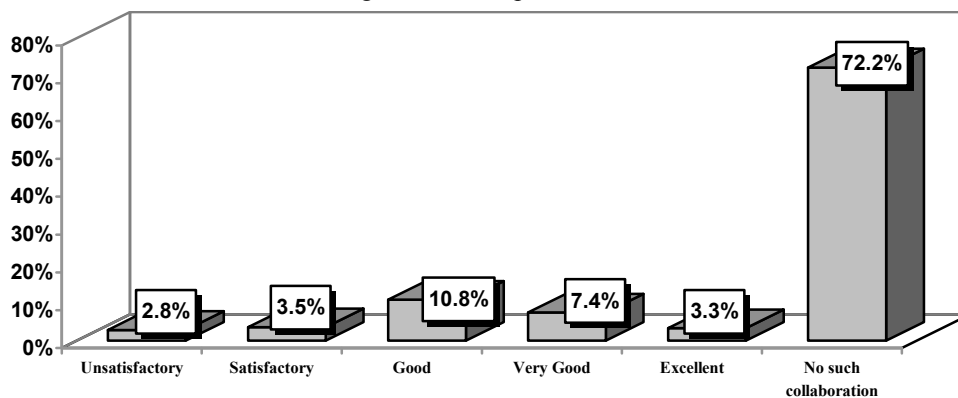


Most of the Bulgarian companies consider the surveyed effect "Good". The average mark, provided by the participants in the study about the effect of their joint activity in marketing and advertizing is 4.27.

The effect of the joint collaboration in marketing and advertizing was estimated by construction and service companies below the average mark of the companies, not belonging to a common marketing system.

72% of the Bulgarian companies do not cooperate with other companies regarding their corporate activity organization and management.

Figure 5
Estimation of the Collaboration with Other Companies in the Organization and Management of Corporate Activities



The average mark provided by the companies about their collaboration with other companies in the sphere of organization and management of corporate activities is 4.18.

Yet, the companies, not belonging to a common marketing system, operating in construction and services estimate lower than the others their collaboration in the sphere of organization and management of the corporate activities. The small-scale companies with less than 10 employees also consider such interaction unsatisfactory.

Most of the Bulgarian companies do not have any joint projects with other companies (83%).

1.7. Utilizing Good Management Practices

The expectations, that under the conditions of real EU membership and implementing the corporate activity under the new market environment the process of adapting and utilizing good management practices will speed up have not been met effectively by the contemporary Bulgarian companies.

Unlike the global trends in the sphere of corporate management, **it is still difficult for the Bulgarian companies to rely on management practices, borrowed by other companies**. The data from the implemented survey show, that the major management strategy, applied by the Bulgarian companies, is the attempt and error principle. The companies in Bulgaria also hardly rely on foreign experience regarding management practices for improving the corporate culture.

Just 15% of the companies, involved in the investigation, utilize in their activity **good management practices**, borrowed by other companies, in order to increase their corporate culture.

Figure 6



The companies, applying good management practices to increase their corporate culture, operate predominantly in the sphere of tourism, with staff over 50 persons and belong to a common marketing system with other companies.

The enterprises, relying mainly on their own experience in corporate culture, operate in agriculture, light industry and transport, employing between 10 and 49 persons and companies, not belonging to a common marketing system.

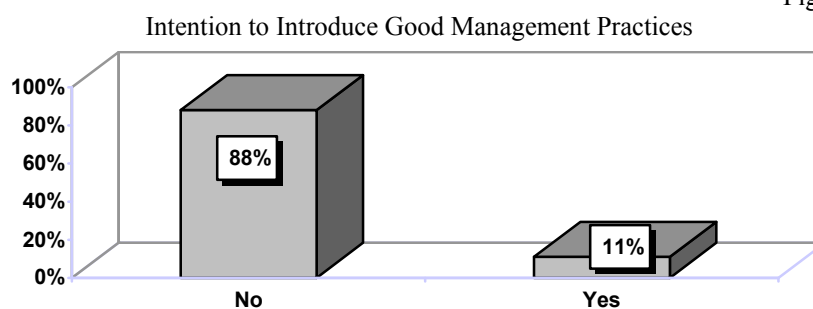
On a global scale, and in Bulgaria there is also the practice, when company is evaluated, not only the good financial indicators of the company are taken into account, but also the applied management practices, the quality of the management depends on. The same refers to the evaluation of the competencies of the managers – one of the main groups of criteria is the degree of application of the good management practices.

The owners and managers of companies involved in this study have pointed out 28 specific management practices, used by them in their business. The most frequently used good management practices by the companies to enhance their corporate culture, are:

- consultations with colleagues from the industrial branch if they encounter any problem – 3%;
- staff training – 3%;
- using foreign experience in the organization of their work – 2%.

Most of the owners and managers of companies (88%) are of the opinion, that there are no models of good management practices, they intend to adopt in the near future at the companies managed by them. The other 11% of the companies in Bulgaria are going to introduce вътрешно at the companies managed by them soon.

Figure 7



These are predominantly companies, operating in agriculture and tourism, companies with businesses on the territory of Sofia and companies, involved in a common marketing system.

The participating managers and owners of companies have mentioned 7 specific practices, intending to launch at the company represented by them. The most common thereof are:

- elaborating a marketing system (2%);
- training staff to work with clients (2%).

When the companies in Bulgaria need consultations to increase the corporate culture, they prefer to contact colleagues from their branch of industry, who have actually encountered the same problem in practice. The strategy for achieving of specific goals for the company is formulated on the basis of the achievements of the competitors within the industrial branch. Definitely due to this fact the information sources for the good management practices applied by the Bulgarian companies are predominantly their colleagues from the industrial branch.

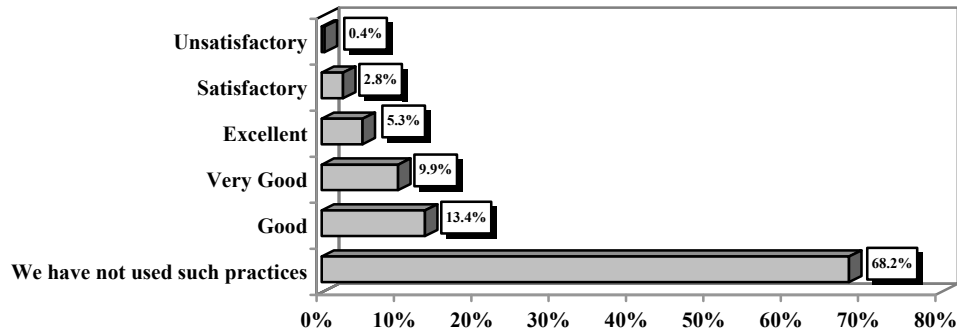
Despite the training workshops in corporate management arranged in Bulgaria as well, the Bulgarian companies still prefer to rely on the competitive experience of their colleagues from their industrial branch. The main reason thereto might be the assumption, that unlike the foreign experience in management, the business conditions in Bulgaria are specific, and a specific management problem could be solved with the assistance of the business partners, who have encountered it. The data of the survey show, that the partnerships, unions and associations are the most popular form of joint activity among the Bulgarian companies. Therefore the key sources of information, regarding good management practices, are:

- the studies and the analyses of the leading competitors within the industrial branch (pointed out by 15% of the Bulgarian companies). Such a source of information is preferred mainly by companies, operating in the light industry and tourism, employing over 250 persons and companies, belonging to a common marketing system.
- the branch organizations, partnerships and associations (14%). Generally the transport companies and companies with staff between 50 and 249 persons rely on such an information channel.
- information resulting from contractual relations (8%). Information from contractual relations is usually available to the construction companies and companies concentrating their business in the metropolitan city.

About two thirds of the Bulgarian companies have not used any management practices, borrowed by other companies.

Most often the companies assess the applied good management practices as Good (13%), whereas 10% of the companies involved in the study pointed out that the effect of the applied good management practices is Very Good.

Figure 8
Evaluation of the Effect of the Applied Good Management Practices



The average mark set by the companies using good management practices for the evaluation of the effect thereof is 4,57. Most frequently the mark for the effect of the good management practices applied by the companies, not belonging to a common marketing system and companies operating in agriculture, light and heavy industries and construction is unsatisfactory.

Higher than the satisfactory mark for the effect of the applied good management practices was given by the companies, linked in a common marketing system with other companies and by companies dealing with services.

2. Level and Quality of the Strategic Marketing Planning and Corporate Management

2.1. Product Policy

The role of the corporate product policy, as a significant factor for establishing competitiveness and an element of the marketing mix, is increasing.

The high quality benchmarks and regulatory requirements regarding the technical, economic and operation characteristics of the products and services, when the Bulgarian companies deal on the European markets, and when they compete on the domestic market are an important precondition for shaping their competitiveness. Such increasing requirements regarding quality has turned into a barrier and somehow reduces the opportunities for competition through the product, when the uniqueness component is missing.

The change in the meaning of the factors of the product policy demonstrates the growing significance of the strategic product positioning. The necessity of investigating the new markets and the consumer characteristics of their segments, the development of the matrix (panel) product indicators – respectively indicators of

the needs (necessities), the assessment of the differentiation level and development, are the basis of the management of the product portfolios of the Bulgarian companies. New goods and services are expected to be created and the current ones should be adapted to clearly defined and well investigated target markets, market segments or niches for the successful development of the product and corporate competitiveness of the companies and their strategic business units.

Essential component of the product management is the use of the Product Life Cycle Theory*. This theory and the model structures derived thereof are a well known instrument in the analysis and the prediction on the microlevel. Under the present conditions it is becoming a philosophy and a guiding principle of the product strategy influenced by the development of the theory of the systems, rapidly entering other spheres of the current corporate management. When the goods or services enter each consecutive stage of the life cycle, the strategies and optimum decisions in view of promotion, distribution policy, price decisions etc. change respectively. Different structures of marketing decisions are typical for each stage of the life cycle. Their knowledge is a prerequisite for the market management of each company.

This study shows, that 28% of the owners and managers of Bulgarian companies determine the alignment of the corporate strategy with the stages of the life cycle of the output products and services a compulsory condition for their existence. Such a strategy is decisive for the agriculture and tourist companies.

According to the investigation, the strategic market approach to the establishment of the product policy of the companies, in this respect** is not on a high level.

When predicting the sales and planning each of the goods 56% of the large companies consider, that without using the product life cycle model they would not be able to predict and plan successfully; 25% say, that it should be taken into consideration only in some case, 19% answer, that it is not appropriate for this kind of activity at the company. None of the companies, has declared, that the use of this model is unnecessary or that no analyses had been made by means of it.

The results of the survey, covering all the companies show certain differences, but the deviations are insignificant. Only the relative share of the companies from the first group dropped down by 9% (8.76) on the account of the increase in the other two groups, respectively by 3% (3.3) and 6% (5.56)

* The concept of the Product Life Cycle was designed and published for the first time by Theodore Levitt in 1965, Theodore L., The Product Life Cycle, Harvard Business Review, vol.43, 1965, p.81-94.

** Such clarification is provided by us, because the corporate product policy has many other dimensions as well, such as innovation, technology transfer, meeting the GMP requirements, trade mark policy, the consumer needs testing methods, establishing the product levels, etc. that can not be covered here. The subject of this study is the role of the level and quality of the applied market strategy for the successful competitive development of the Bulgarian companies in view of the forthcoming accession to the European markets.

The corporate managers, especially of the larger companies, realize the necessity to match the complete set of marketing events and the stage of the life cycle of the respective product. Thereof 52% consider, that such an approach is of decisive importance; 36% think, that without it they would not be able to manage their sales and 12% are of the opinion that it does not matter for their products. Absolutely, the product life cycle theory plays a significant role for the management of the sales, but from the strategic point of view this is a quite restricted and unacceptable utilization of the capabilities of this model, which has been accepted in the global practice long ago. We should worry about the fact, that 48% of the companies neither apply, nor use in unacceptably narrow limits a widespread management practice, which was adapted to our conditions long ago (Without any alternative at all).

The quality parameters and criteria set by the European market for the technical economic and operational properties of the goods and services are very high. This high level of the requirements becomes a kind of barrier and to a certain extent reduces the competition opportunities by means of the product, when the uniqueness element is missing. The non-price competitiveness of the companies is also changing under the conditions of internal markets.

The key directions of development of the product policy of the company, that could contribute to their growing competitiveness, according to the Bulgarian managers are related to:

- 1) higher quality criteria, growing necessity of differentiation of the corporate product, extension of the product range, increasing number of the supplied products;
- 2) looking for and occupying new market niches, shortening the market life of the goods and especially the currently produced ones, elaborating new products and services according to the new trends in the applicable markets and market segments; the necessity of increasing investments in R&D and innovation activity, more flexibility of the manufacturing facilities.

The interest of the companies in the European market conditions, in studying the opportunities of extending their activity, looking for suitable market niches (we often forget, that market niches are created, not “searched”) should be highly appreciated. One should not disregard also the necessity of assessment of the product policy for strengthening their competitiveness on the target markets and their current market shares, whose competitive parameters are also expected to change.

2.2. Working out the Price Strategy

The price strategy of the company is very important for the corporate and product competitiveness.

It is a factor and a resulting quantity at the same time, because the effects of the overall corporate strategy come back to the volume of the market share as a change and as a achieved profitability of the sales, which depends directly on the positioned prices.

Moreover the microeconomic corporate price formation is also a strategic management factor, related to market positioning. It contributes to the implementation of medium-term and long-term programs for alignment to the changing market conditions. Currently enormous changes are observed, and one should react thereto. Above all the types, the kinds of markets, are changing where the companies operate based on the changing two complex indicators – the height of the barriers for entry into the market and the degree of differentiation of the products. The expected shifting the business field in view of these key factors, determining the types, assignments and methods of price formation, results in the necessity of very serious market analyses and forecasts for the reflection on the price decisions in each specific case.

The price policy depends on the type of market where the companies operate and on the nature of the market competition. On the markets close to polypol, the homogenous competition results in generating the unified market prices. The expenses of each company for manufacturing and selling the goods, under the conditions of such kind of market could not be the basis for the price formation of the goods, they are just one of the factors, influencing the profitability of the company, and not on the level of the prices of the company. The price level on the corresponding market and its dynamics are considered exogenous factor for the company, which is predictable and provide the foundation for the basic accounts for the technical and economic minimums, the effectiveness of the other elements of the market-product activity

On the markets of the type of monopoly competition there is a high degree of differentiation of consumption. The goods and services differ from each other in terms of quality, properties, outer appearance, number and types of accompanying services, etc. The various alternatives proposed enlarge the price range of the transactions and the price strategy of the company is vital. It should be developed along with the other marketing activities, considering the opportunity for encountering considerable synergy effects. The target orientation of the marketing activity is a maximum individualization of the corporate product and the corporate supply. The monopoly competition predestines as most efficient such a concept of price formation, that is focused on the nature and characteristic features of the market demand and respectively the target markets. The key price-formation factor is the degree of satisfaction of the target consumer, whereas the price policy realizes the competitive advantage of the company and the advantages of the complete marketing – mix.

On oligopoly markets, being the predominant types of markets under the current conditions, a limited number of sellers (respectively buyers) is maintained. The high barriers, hampering the penetration of the new challengers are due to the capital requirements, the scale effects, the resources' limitations, the marketing barriers.

If we study in details the barriers, restricting the penetration on the oligopoly markets we shall see, that most of them, almost all direct price barriers are expected to be higher on each industrial branch market, compared to those on the respective current Bulgarian markets and two years later, after the EU accession. What does it mean for the Bulgarian companies? Mainly enormous difficulties in view of expanding their activity and especially in view of the opportunities to launch a new production, penetration on new markets. It means diversification and optimization of corporate portfolios in the post EU accession period. On the other part, it “opens” the oligopoly structures on the available national markets and the risk of entry of new competitors steeply rises. The sellers on the oligopoly market have considerable market shares and depend on each other too much, each one is sensitive to the price and the marketing strategy of the others and should be prepared to react properly to each change in the performance of the competitors. The oligopoly company due to its significant market share is able to influence the total stock mass on the market and the price formation on the market (and respectively to be influenced by another company, especially a new entrant). The impact on the prices could be direct, via the production and selling costs and via the principles and methods of price formation applied by the company. Oligopoly companies affect the market prices indirectly as well, having impact on the supply volume (by reducing production or increasing stocks) and stimulate demand (by means of advertizing, promoting sales, motivating the sales staff, etc.). Under the conditions of the Single European Market the Bulgarian companies shall suffer such impacts, which frequently redefine the conditions for business, and should be ready to adapt them and to continue their market activity successfully and competitively.

We shall not deal with the acute problems of the monopoly markets, not because we consider, that they shall not be encountered, or are minor, but because this is a detailed and specific matter, beyond the goals and the scope of the analysis in this project.

The changed business conditions for the Bulgarian companies, after Bulgaria's accession to the European Union in most of the subsectors, branches and spheres of activity of the companies shall cause enormous changes, both to the changes in the capital and marketing entry barriers (for instance the closest most simple indicators, such as the average volume of the assets and the average costs of promotion and advertizing) and in the product differentiation. Such changes affect considerably the key factors of price formation and any failure of the company to analyze and consider them results in expensive inaccuracies and errors regarding the most sensitive element of competitiveness on the product level – the market price of the goods. A lot of analysis methods have been elaborated, that should be adapted and utilized by the corporate managers. The movement direction of the strategic sphere (the business field) is predictable in general – upwards and downwards, but these processes must be measured and considered in time.

Secondly, the basic characteristics of price issue are changing, especially the factors, quoting the minimum price (endogenous corporate cost norms) and maximum price (the price elasticity on the respective product market), i.e. the range of tolerances of the prudent price decisions for each company are changing. Here a very important

factor for the dynamic changes is the evolvement of the crisis and the degree of its impact on the respective sector, subsector or sphere of industry. Recalculating the limits of price ranges of the goods (especially elasticity) means incorrect defining the conditions of the price issue, not clarifying the range of tolerances of the solution, or the decision or otherwise – the limits, the range of prudent prices, closing the reproduction cycle. Under the conditions of crisis and stagnation markets it determines the survival limits of a lot of the companies in this industry. The necessary targeted research and determination of these elements for each business hardly needs any additional argumentation.

The results of the survey show, that a relatively high portion – 42% of the interviewed managers and owners of companies in Bulgaria work out the price strategy of the company, using information on the price elasticity of their products based on the analysis of the real results. Such an approach is applied mainly by the employees in the industrial and tourist sectors, as well as in the small and medium companies.

Twice less is the share of the companies (21%), determining the price elasticity of their products without collecting any special market information. So do the managers of agricultural companies.

Just 18% of the interviewed managers of companies make use of specially designed data basis, the others rely on the expert opinion of their own employees.

Almost one third (30%) of the companies included in the sample do not use any information on the price elasticity of their products. Such a market behavior is typical for the service companies as well as the companies with head offices in the smaller cities all over the country.

In addition to the requirements for guaranteeing the closing of the reproduction cycle, before positioning the risk to profit ratio by the price, the price is the key factor for meeting the strategic market targets, fixed at the marketing strategy for the respective group of products. It is linked with defining the strategic price range. The prices of the leading competitors are the key indicator therein. Their change could narrow or even make this strategic range non-existing insignificant, affecting not only the price targets, but also the opportunities for strategic positioning of the respective product, business unit, and hence the entire corporate portfolio.

The price policy is the most sensitive factor of the market management and an instrument for positioning the competitive advantages. Its decisions reflect the effects of any other market policies. (the other components of the marketing-mix - product policy, distribution and promotion are cost elements from the point of view of the financial analyses. The effects by their more successful or more unsuccessful management are realized either by reached higher market price or by increased sales volume). Each error in fixing the prices and their management reflects directly on any other results of the corporate activity – in strategic, operative, financial and other aspects. Hence it is not a surprise, that the best results on the status of the management practice of the Bulgarian companies are obtained in view of the level of

utilization of the methods and tools for setting up the price system. This is however the most difficult sphere to be managed under the conditions of a crisis.

2.3. Distribution Policy

The current channel synergy, known from the classical distribution channel is multiplied several times in establishing vertical and horizontal links among the companies, effecting mutual coordination, planning of activities, setting up structures, subject to joint channel control. The synergy in such distribution channels, called vertical marketing systems (VMS), is allocated among all the players in the integration process, no matter whether they possess or provide the channel control.

The results of the empiric study show, that in our country the current system distribution covers about 20% of the businesses. The strongest synergies observed there are specific for the consumer markets of the advanced countries.

The high competitiveness, efficiency and profitability of the Vertical Marketing Systems (VMS) depends on the market conditions and characteristic features, making them very competitive in view of the classical marketing channels. These prerequisites and conditions are related to:

- development of the current consumer markets, available middle class,
- increase in the national wealth and the incomes of the families and the market potentials,
- wide range of competitive supply in view of the trade marks,
- speedy differentiation of consumption,
- reducing the life cycles,
- easy access to credits, etc.

They result in high mobility of the market structures and segments, strict requirements to the distribution and the complete marketing associated thereto, necessary prompt strategic and management decisions, involving large reliable feedback from original sources.

Although our economic situation lacked most of these conditions, VMS have matured and entered quickly enough under the interconnected vessels' method during the pre-accession years and in the beginning of our EU membership. Unfortunately we could say, that the process was adjourned due to the crisis, and due to exogenous reasons. Very interesting are the efficiency evaluations due to the functioning main distribution channels, used by a company to market the products or

services, when aligned with other companies in a common marketing system.

One out of five managers says, that in view of distribution his company is involved in a common marketing system. It is most applicable for the heavy industry, tourist and agricultural companies. Such a reply is more often given also by the managers of large companies, with 50 to 249 employees, as well as the registered LTDs.

Very interesting are the evaluations of the functioning main distribution channels, used by the companies to market their products or services when integrated in VMS.

Most of the companies – 62%, use as a distribution channel a chain established by a wholesaler. The effectiveness of the functioning of this channel is evaluated with „Very Good” 4.67.

This distribution channel is used more often by the heavy and the light industries. The managers of agricultural, heavy industry and tourist companies evaluate this distribution channel with the top rating. More satisfied companies are registered with head-offices in the district center cities, than in the metropolitan and in the smaller cities.

Most of the companies (41%) – members of a common marketing system, use a retailer organization as a channel to market their products and services, evaluating its efficiency with „Good” – 4.29 upwards.

The companies engaged with agriculture, trade and services, integrated in a common marketing system use such a channel more often than the others to market their products and services. The companies, trading in the metropolitan rely on retailers as intermediaries more frequently, than the companies from the other cities. The agriculture, heavy and light industry companies are most satisfied with this distribution formula – they give very good (5) and even excellent (6) marks to the functioning of this kind of intermediaries, selling their products.

Franchise is applied by one fifth of the companies belonging to common marketing systems. This distribution channel fits best the managers and owners of the companies applying it – average 4.71. Franchise is used most often by companies from the agriculture and services sectors. The highest marks for satisfaction by Franchise as a distribution channel are given by agriculture, heavy industry and services companies.

The smallest share belongs to companies, members of a holding or a consortium – just 17%. The average efficiency mark of this kind of distribution is 4.18. Most often light industry and transport companies make use of such a channel for selling and marketing their products and services. This distribution approach yields the highest satisfaction of the heavy industry companies, as well as the companies employing more than 50 persons.

The lowest efficiency mark is given for the distribution, with reference to the link: producer – wholesale or retail chain. The business partners therein depend too much

on each other, having unequal positions. This link is typical for the Bulgarian business when the market was entered by large international chains and the established and successfully functioning Bulgarian ones. Additional investigations should be made to reveal the problems and the factors for the current tension. A special role here plays the channel controller – wholesale or retail chain, not providing in all cases the mutual cooperation effects (synergies) of the manufacturers. The large retail chains often dominate the market, especially in the sphere of food products and light industry, because their counterparts are mainly small and medium scale manufacturers and companies. The resulting is very dangerous, also in view of establishing of private distribution trade marks (PDTM). Due to the specific competitive tension, mainly among the current chains and the lack of price margins, they are hardly regulated by law. Nevertheless in many countries such distribution structures are subject to regulation (on the profit size), and PDTM in foodstuffs are prohibited in most of the developing countries. Here the explanation of the terms: dominant status, ruling status, market force is very important here. These terms are discussed now at the Commission on Protection of Competition and the Ministry of Energy and Tourism in view of supplements and amendments in the Competition Protection Law.

We shall study in details the results of the survey, regarding the franchise-practices of the Bulgarian companies and how they evaluate the efficiency of their use.⁵

The managers and the owners, stating that their companies belong to a Franchise, most often evaluate as a competitive advantage the fact, that they offer a product with a well known trade mark. The brand is an advantage for Franchise according to 53%. This advantage is highlighted by commercial, services and light industry companies, as well as companies with head offices not in the capital.

Quite a lot of them think, that the advantage of Franchise is the smaller risk of market failure. About 47% of the executives of the Franchise companies, focus on this argument, which is much more important under the conditions of an economic crisis, when the priority of their policy is the market security. This is a wide spread opinion of the managers of companies dealing with services, located in the cities – former district centers.

The third advantage of Franchise with equal shares of 37% is the opportunity for centralized advertizing and PR-campaign, as well as the use of a reliable technology. The use of reliable technologies proves to be very important according to the managers of heavy industries, as well as the sole trader firms. The possible centralized advertizing and PR-campaign is vital for the metropolitan companies, having much more experience and established „taste” to such communication style.

Under the crisis conditions the advertizing and PR budgets are quite limited. Furthermore, their costs are some of the first costs to be „cut”. However the lack of

⁵ For more details on typology, advantages, disadvantages, economic and social effects of franchising: Marangozov, Y. (2009), *Strategic Alliances*, Avant-garde Prima Publishing House, Sofia, p. 25-29.

communication channels and advertizing has a negative effect on the trading of the products or services of a company, because of losing competitiveness. Franchise enables the companies to make use of a centralized and mass advertizing and PR-campaign, which they alone can not afford themselves. The opportunity to use a reliable technology minimizes (even eliminates) the technological risk.

The staff training is another advantage of franchise, according to 27% of the managers. The staff training increases the qualification, imposes professional standards (of work, behavior, etc.) and thus guarantees sustainable efficiency in trading goods or services. The corporate training is an advantage pointed out mainly by the managers of the metropolitan companies, and by construction and service companies as well as by companies registered as Limited Liability Companies and Unlimited Partnerships.

2.4. Promotion and Advertizing

Under the current business development each company maintains a complex communication system with the environment component, with the agents, consumers, with all the contact persons.

This area of corporate activity is one of the most difficult to analyze and evaluate. The specific features of the product and the market, the differentiation degree, the promotional absorption, the average levels of market saturation, the nature of competitive opposition, the evolution of the industry, the life cycle are factors with a different direction and dynamics of impact, influencing significantly the structure of the promotional mix and the characteristic features of each of its elements. This factor of market positioning has a short history among the Bulgarian companies. For the last 10-15 years they had to accept and adopt the experience of the advanced markets. The promotional strategy and advertizing policy of the company is too difficult to be analyzed due to the difficult consideration of the effects, force and duration of their impact. Another aggravating factor is the high risk component of such kind of activity, especially under the stagnation consumption and the steep reduction of the market potentials under the conditions of crisis. Due to the above the company should resolve the problems, ensuing from determining the promotion budget and measuring the effects from the activity. If these strategic indicators are missing and the companies do not dispose of state-of-the-art methods of development, the promotional activity becomes an expensive advertizing game. Under the conditions of crisis the specific parameters of this component of the marketing-mix change in almost each sector, therefore it is very important the modern Bulgarian companies to be in a position to manage it on a high scientific and practical level.

Actually the analysis shows, that just 58% of the companies coordinate their promotion and advertizing activity with the stage of product life cycle. In 52% of the surveyed companies the mean costs of promotion and advertizing are not known in their activity (there is no idea about the most simple indicator of marketing barriers), moreover 18% thereof consider it insignificant. The other 48% do not

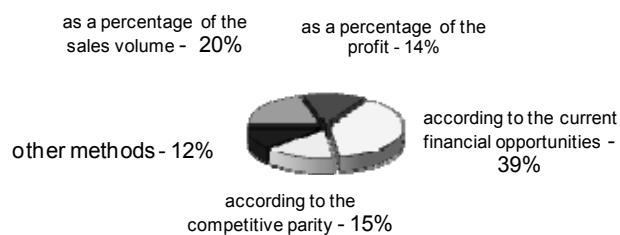
dispose of such an information and maintain the level of their own expenses, according to these indicators. (41% close to, and 7% attempt at having higher expenses than the average ones)

The expenses for promotion and advertizing (total promotion budget) are determined:

- as a percentage of the sales volume – in 20% of the companies;
- as a percentage of the profit earned – in 14%;
- according to the current financial opportunities – 39%;
- according to the competitive parity – 15%;
- other methods – 12%.

Figure 9

Methods of Determining the Promotional Budget



The question “Is the effectiveness of promotion and advertizing measured?” was answered as follows:

- Yes, selected methods are applied – 43%;
- No, it is impossible – 18%;
- usually the results are evident – 12%;
- through the impact on the sales volume – 27%;
- through the possible positioning of higher prices – 0%.

A lot of the companies are of the opinion, that the effectiveness of promotion and advertizing is measured through their impact on the sales volume. They are some of the arising effects. The promotional activity, is an investment process, generating most of the intangible assets of the company, enabling the realization of higher prices. This is its more natural function as a component of non-price competitiveness. Not a single company has paid any attention to the role of promotion and advertizing in the process of their planning, financing, carrying out and measuring the results. With such answers the companies confirm undoubtedly that they consider promotion and advertizing a factor to stimulate the sales of the products and services, but not a systematic factor for establishing a competitive market position and as a component of the marketing structure.

Quite unacceptable are the results from the position of the European requirements to include the promotion policy in the marketing mix as one of the powerful factors for maximizing the synergy effects.

Another fact should also be taken into consideration, that the companies, especially those based mainly on the domestic markets, have initiated this activity and have been developing it under the conditions of partial or completely lacking market economy, as well as violating the cost – effect relation under the conditions of crisis. In such circumstances it is extremely difficult to measure the effects and they can not always be planned, do not happen according to the expectations, and it happens in well regulated developed market economies. Furthermore the crisis factors require strategic approach, where not only the classic, usual effects are searched, but also effects in view of keeping the product market presence and even guaranteeing the survival of the companies.

Such mostly objective circumstances are on the grounds of the monitored advertizing and promotional activities of the Bulgarian companies, which are irregular, impulsive, unplanned and unintentional. There is a reason to suppose, that in a more favorable future there will not be such negative prerequisites and we will be able to observe a rapid development of promotion and advertizing as integral parts of the corporate market policy, linked with the other manageable parameters, that has become a key factor for establishing the corporate competitiveness.

3. Impact of the Crisis on the Competitiveness Components

Although the analysis of the crisis, its specific features in Bulgaria, the power and the directions of the impact are not a direct aim of this study, as far as the empirical observations and conclusions therein are of great importance, this topic should be elucidated, from the point of view of the corporate strategy and the effect on each competitiveness element.

Most of the authors, treating the problems of the crisis study them on the macro level. Unconditionally the best tools of reducing or eliminating the adverse effects are in the government and municipal policy, moreover, that the corporate strategy depends on it, i.e. it should take over the impacts of the crisis, refracted through the

prism of the corresponding macroeconomics and regional policy and the changes in the competitiveness components.

Here we are not going to evaluate or look for weaknesses in the activities of the government, the municipal structures, syndicates, the business organizations, although we consider their role an extremely important factor, determining the development of the crisis in Bulgaria and the limitation of the unfavorable effects of its impact on the market and economic status of the organizations. We shall analyze the impact of the crisis as an objective (really) exogenous factor and its effect on competitiveness and corporate strategy.

3.1 Changes in the Market Status and the Strategic Opportunities of the Companies under Crisis Conditions

On the microeconomic level, the maintaining of a balanced structure and economic tolerable endogenous indicators of the industry have a strong effect on the possible reduction of the adverse impacts on the business units and overcoming the crisis.

One of the most dangerous threats for the status of the Bulgarian economy is the destabilization of the microeconomic system – aggravating the status of the organizations, hampering the development of the life cycle of the economic sectors, their structural and economic characteristics. The collapses and bankruptcies, resulting in violation of the evolution of the proper development of the subsectors, industries, especially under the conditions of strong competitive supply on the European markets do not leave any serious hopes to preserve the national production in the respective spheres. The rehabilitation is often impossible, the regular market presence and development of the entire industrial sphere is interrupted or delayed in the long run.

The real status of the companies and their assessment of the effects of the crisis could be derived by the significant national survey initiated by the National Center for Public Opinion Poll (NCPOO) and the Bulgarian Commercial Chamber, among representatives of the business under the direct survey method in June 2010, from 580 companies all over Bulgaria.

The question „What is your assessment of the current status of Your company” was answered with „bad” (25.4%) and „very bad” (7.8%) by 33.2% of the companies. Such answers to the question „How do you assess the status of Your company one year ago” were given by 7.1% of the companies („very bad” – 1.0%; „bad” – 6.1%). On the cross section of the industries the most negative changes in 2010 have undergone the construction, transport, light industry, services and commercial companies. For one year the number of companies assessed as prospering in these spheres of activity was reduced three times. There is another drop in the sphere of tourism, but evaluated on the microeconomic level (status indicators on the corporate level) it is not so drastic.

This study shows, that within one year, in June 2010 there was an abrupt (almost two and a half times) decline in the sphere of the companies, evaluating their status as good or very good.

Half of all the companies have evaluated their status as worse, whereas 50% of the managers, who considered their company in very good shape in 2009, acknowledge, that in 2010 it was in good shape; 55% of the persons stating, that last year their company was in good shape, determine the situation 1 year later as satisfactory; Half of the persons, considering their condition to be satisfactory in 2009, determine their condition as bad in 2010.

In the different strategic groups the power of such processes is different, due to their size, strength and degree of market impact. More than two thirds of the large companies (having over 250 employees) say, that their business was going good in 2009, whereas half of them have kept their good positions in 2010 as well. During the same period of one year, the portion of the small companies, whose business continued to develop well, dropped down four times. Thanks to their preserved potential the large companies are still in an active market position, despite the difficulties and problems, while the small and medium-scale companies have more or less become outsiders in their sphere, and are not in a position to close effectively their reproduction process and literally struggle for their survival.

The data from the above surveys illustrate undoubtedly another conclusion as well – the companies with foreign shares in their capital manage better to maneuver under the conditions of crisis and succeed in preserving relatively good market positions. The positions are worse of 20% of the companies with foreign share in the capital and of about 40% of the companies, without foreign share.

The Advantage of the companies, dealing mainly with exports is not only on the expanded markets, but also due to the fact, that they carry out their business under the conditions of various characteristics of the economic sector (expanded up to the scales of the Single European Market or another regional structure, or integrated by the average indicators of the importing countries).

The conclusion for the last three years could be, that between 2008 – 2010 the relative share of the companies, evaluating their status as bad and very bad in 2009 has been increased almost 5 times compared to 2008, in 2010 again they grew 3 times, reaching 33,2% .*(the data are derived from 2 surveys independent from each other and are compatible. Thus we could talk about national representation – 430 and 580 companies).

3.2. Particularities and Requirements for Setting up the Corporate Strategy under the Conditions of Crisis

The extreme aggravation of the status of the organizations, monitored during the crisis and especially last year made most of them switch to retention strategies to survive or the Harvest Strategy. The components of this kind of strategies, most of

them being defensive, do not contribute to the usual market development and behavior of the companies. They cut drastically or eliminate the elements of innovation development, introduction of technical, technological or organizational innovations, alignment to the up-to-date characteristics and requirements of the domestic, European and international markets. Having lost such prospects, these companies are deprived of opportunities to gain competitive advantages and what is more frightening – of the ability to design and create such advantages in the long run.

Their competitiveness, which is in a direct ratio to their market share, is still based only on the strengths established in a previous strategic cycle. They still have market advantages and on their basis the companies maintain their market presence and the corresponding sales volumes. At best, considering the time delay in the general evolution of the economic sector, the innovation cycles and the driving factors for determining the length of the product life cycle, these companies are called „intermediary”, they are „in the middle” and have unenviable strategic position: exhausting the elements of cost and price leadership or focus, low profitability, lack of innovation, regarding new products, and regarding the development of the product lists of the available products, lagging behind the processes of product differentiation, lost clients.

For example: Michael Porter's Model on strategic corporate planning and development, based on the necessity of maintaining a long-term sustainable competitive advantage. The strategic position of the „intermediary company” is unfavorable, temporary. Because of losing competitiveness such companies are pushed out of the markets by the cost and differentiating leaders or by small and medium companies with a good focusing strategy.

The strategic opportunities for such companies, „in between” have two alternatives: either planned and with minimum investments and costs to withdraw from the market in the medium run, doing their best for profitable business (the „Harvest” Strategy) or to draw up a new strategy for competitive advantage (price, non-price, of the type: hidden price competitiveness) – Cost leadership, Differentiation or Focus. It means a new solution for the equilibrium between market share and profitability, finding and activating considerable resources, taking the necessary risks.

From the point of view of Bulgaria's accession to EU and effecting the corporate activities on the Single European Market (i.e. the differences in view of the changed characteristics of the industries, power and direction of the influencing factors, structure of the industry in strategic groups, leading companies, price dynamics and product differentiation, investment opportunities etc.), the „Focus” strategy is gaining new advantages for the choice by the Bulgarian companies and strategic business units. Moreover, a narrowly defined strategic objective could be pursued more effectively and more efficiently, than if it were attributed to the economic sector and subsector, branch or sphere of industry (and the respective market) as a whole. On the other part, the crisis, the difficult access to financial and other

resources, the stagnant market potential, etc. . make this strategy very attractive in such circumstances.

The big question is how to help these companies. The competitive pressure and the risk are increasing in view of each structural component. The intensity of the competition within the industry and respectively the risk components rise quickly. Any failure to create conditions to come out of this situation, might cause a lot of problematic market situations, affecting entire economic sectors, such as severe price shocks, considerable loss of market potentials by the Bulgarian industries, irrational internal restructuring of the industries, delays and lagging behind, which is difficult to overcome, also by the leading companies.

3.3 Microeconomic Effects of the Aggravation of the Crisis в Bulgaria

For the businesses in Bulgaria the economic crisis in 2009 is most evident by cutting the consumption and reducing the market potentials (for 68% of the surveyed) and increasing the intercompany indebtedness. (54% of the companies complain of long delays in payments due to them, 16% acknowledge money transfers delayed by them. Unlike the previous 2008, when the lack of qualified labor and the bad regulatory set up were the key factors.⁶

Eight months later, in June 2010 much more companies claimed to have suffered directly from the crisis: cut consumption and contraction of the market as factors for their aggravation status are claimed by 86 % of the companies. For less than a year (from October 2009 until June 2010) the number of companies, reporting reduced turnover was increased by 18 points. „The cut turnovers have affected mostly those companies, evaluating their state as bad or very bad, the small and medium-scale companies, with staff below 50 persons. In the industry cross section - construction, transport and tourism have been hit most severely.

The intercompany indebtedness is still the second most important problem for the companies in 2010. The big delay in the payments due by other companies as a factor from the crisis is pointed out by 51,3% of the surveyed, enormous delay in payments due by the state or the local administration is claimed by 18,2% (almost 70% if we consider indebtedness in the broad sense), late credit recovery – 11,5%.

In her report at the round table „The economic crisis – legislation in support to the business”, 2010, Lydia Yordanova stated, that in the last few years the intercompany indebtedness in Bulgaria has become larger than the country's GDP. NCPOO registers, that in 2010 just one third of the companies had no overdue bad debts. They are generally the companies with over 50% foreign share in the capital, micro companies with staff less than 10 persons, as well as the employees in commerce,

⁶ According to a study held by (NCPOO) at the International Technical Fair in Plovdiv in October 2009, 430 representatives of Bulgarian and foreign companies operating on the Bulgarian market were selected and questioned. Most of them – 74% of the companies, involved in the study were Bulgarian companies within foreign share in their capital.

agriculture and tourism.” No matter how subjective the feeling of the managers might be, no matter how seriously the worried expectations from the vague future might be reflected therein, the picture of the mass mood in the businesses could be determined as anxious. The drop down in consumption and the anxieties from large purchases have shrunk the market in several sectors like construction, services, light industry and commerce.” (again), that used to be flourishing a year ago.

Meanwhile 24% of the acting companies acknowledge, that they are debtors themselves – the better the economic state of the organizations, the smaller the relative share of the debtors. All the companies, that are in very good condition are correct in their payments, none of those included in the study does not postpone any amounts due.

Thus a kind of „accumulated” indebtedness is generated and over 60% of the companies, that have preserved their prosperous business are victim of delayed payments due. With the ever growing intercompany indebtedness, exceeding over one and a half times the GDP, we could imagine the avalanche effect of this adverse factor on the leading companies, expected to become the backbone of the industries, to ensure their survival as they hold during the crisis in that phase of the lifecycle, to preserve the natural evolution of the industry and to prevent any collapse and decline.

As a summary of the reviewed studies and the results of the presented surveys we can deduce the following estimates for the state and the problems of the national businesses under the conditions of the current economic crisis.

As stated in the report to the same study there are differences in the hierarchy of problems depending on the economic sector and the size of the company: the market stagnation is a major problem mainly for the industrial employees, for the medium and large-scale enterprises. The unfair competition and the lack of capitals generate unfavorable conditions for the development of manufacturers and importers of agricultural machinery, and transport companies. The corruption of the civil servants is also listed as a major impediment, mainly for the service and energy providers.

From September 2008 until November 2009, 67,5% of the companies reported decreases in their turnover. Some of the most common changes in the strategy of the companies, clearly explained by their managers as a reaction to the crisis and its development, are associated with freezing the salaries (38% of the surveyed), redundancy (24%), reduction of the working time for part of the employees or forced unpaid leave (19%). Limiting or terminating some activities are reported by 9%.

The changes are quite negative, due to rejected investments that have been planned earlier (for new long-term tangible assets, know-how, staff training etc.), carried out by 35% of the surveyed.

The companies with foreign participation maneuver much easier under the conditions of crisis and manage to maintain relatively good market positions. With worse positions are 20% of the companies with foreign participation and approximately 40% of the companies without foreign participation.

The advantage for the companies, dealing mainly with exports is not only in the expanded markets, but also in the fact, that they carry out their business under the conditions of various characteristics of the industry (enlarged to the size of the Single European Market or another regional structure, or integrated by the mean indicators of the importing countries).

The crisis is an essential factor, influencing directly the corporate condition – through the elements of horizontal competition, at the entry and exit of the companies, having significant effects on the prices and the quality benchmarks of the businesses, forcing them to reduce the profitability and turnover of their business. Between 2009-2010 – 51% of the companies have stepped down to a lower group after the assessment of their market status.

The crisis affects the businesses indirectly as well by means of the unfavorable business conditions, the growing threats by foreign new entrants and the decreased ability for defense of the new products and services, and substitute products.

One of the worst factors of the higher intensity of the competition within an industry is the stagnation and even the decrease in the purchasing power and respectively the market potentials. The long-term duration of such states intensifies the competition, affecting the technical & economic optimums and the technical & economic minimums and forcing the players leave the industry. The strong pressure on the companies magnifies the risk components and respectively the returns. The cost control becomes crucial.

3.4. Impact on the Status and the Development of the Industrial Branch Markets

The above-mentioned impacts of the crisis such as the microfactor and the macrofactor are quite unfavorable both for the company itself and for the typical development of the industrial branch markets. The ratios among the players in the respective strategic groups are disturbed. The strategic mapping requires proportionality among them, especially if important effects should be searched for the current economy out of the development of regional integration, generation of clusters, etc.

On the industrial branch market level (economic sector, subsector, spheres of industries) such phenomena are observed like exit from the sector, smaller number of competitors, the remaining companies have permanently low and decreasing margins, at the further stages of stagnation the prices could be increased. The small degree of product differentiation, the irregular quality, the low promotion and advertizing costs, low A/S ratio, etc. are typical for the decline of the sector – the forth stage of its life cycle.

Under the conditions of crisis the business environment becomes much more indefinite. The vague development of the life cycle (evolution) of the industries is very unfavorable for the current business units. It is extremely difficult to cope with this consequence for the strategic corporate management as the analysis and prediction of the characteristics of the sector, the dimensions and types of competition within an industry and the corresponding types of risks have become more and more complicated. There is a growing necessity of increasing the quantity and the reliability of the collected information, of modeling the impact of the macroeconomic and non-economic factors on the company, refracted through the focus of the changes within an industry. The role of the corporate management, the efficient measures for adapting the strategic and operative parameters is becoming of major importance under the conditions of ever growing indefiniteness of the business environment.

The industrial branch structure is disturbed in view of the available equilibriums among the main ratios of the motive competitive features, between price competitiveness and non-price competitiveness, in direct relation to the types of the obtained market advantages and respectively allocation of the market shares. The intensification of this process is evident in most of the economic sectors by means of the indicators: price index and the differences among the trade marks (even with the more limited indicator: average promotion and advertizing costs per trade unit).

This imbalance within the industries affects the small- and medium scale businesses, which however are much more adaptive from the strategic point of view, due to the repositioning and focusing strategies.

It is very difficult to be overcome also by the big players from the first strategic group, as it has a direct impact on the market sales of the main competitive advantages which have been or are being obtained in their strategies for cost and/or price leadership and differentiation. The key strategic task of the company or of the strategic business unit to establish them, to implement them and to make them able to be defended is becoming much more difficult in the long-run. The role of the leading companies in the development of the economic sector (subsector, branch or sphere of industry) is to be the backbone thereof against the threats of the horizontal components of competition. The strategic imbalance, suffered by them when reaching their targets as a result of the crisis reveals the feedback in the process of its negative impact on the microeconomic level.

A loop has been formed between feed and feedback. Feed – the disturbed equilibrium in the economic sector has a negative impact on the corporate development, feedback – the strategic destabilization of the leading companies enhances and deepens the process of deteriorating the main characteristics of the economic sector. The dependence has a dangerous and multiplying effect and the issue could be settled only by eliminating or decreasing the negative aspects of the exogenous sector factors (outside the sector). Urgent measures should be taken by the state and its economic and anti-crisis policy, in order to preserve the key production and market structures.

The main conclusion is, that if the above stagnating factors, which are exogenous for the sectors are maintained for a long time without taking any active measures to restrict or eliminate them, the endogenous features of the economic sector reach low values, resulting in forced decline of the sector (due to non-economic factors). Such spheres like construction, services, light industry and commerce have been affected most severely.

Conclusions

The results of the strategic corporate policy in adapting to the challenges of the European market verify quite a pessimistic picture.

To sum up – the most important inferences of the performed analysis on the status and the preparedness of the corporate management and the level of the adopted corporate strategies, are as follows:

1. Utilizing up-to-date approaches and methods of strategic corporate management and setting up a state-of-the-art market strategy are some of the real activities of the Bulgarian companies. However there are some shortcomings, such as:
 - a) lack of clarity on the nature of competitive advantage and the type of strategic positioning. The structure of the competition within the industry, the correlation and the role of the competitive forces, the types of the main competitive oppositions and threats are not analyzed.
 - b) The status of the activities, related the exogenous corporate and situational analyses shows, that in their business the companies pay more attention to the endogenous, than to the exogenous factors. This frequent error is due to the better knowledge of the internal resources and capabilities, but thus the compulsory condition is disregarded – the management parameters to be derived from and adapted to the dynamic changes in the market environment on the strategic level. The main threats, are due to the changes in the exogenous factors, affecting the corporate results and competitiveness either directly (via horizontal competition components) or indirectly (via vertical competitive forces).
 - c) The analysis of the competition in the activity of the companies, in each of the components (competitive forces, types of threats, generic competition) shows a very anxious picture of the strategic management of the Bulgarian companies. Under the conditions of crisis, when the major changes are expected in the competitive structure, threats' type and nature, over 70% of the large companies take strategic decisions, draw up their corporate policy and are going to fight to keep and increase their competitiveness on the grounds of the “general idea” about the intensity of the competition. This threatening adverse result is due to the lacking or insufficiently developed consulting activity in the corporate management.

2. Under the current conditions of the activity carried out by the companies, the companies, that have succeeded or are succeeding in relocating their activity to the European markets are the least affected by the crisis and the first, that manage to come out of it. It is due to the more favorable development of the evolution of the industries and the product life cycles under the conditions of the European markets, compared to the national market. The advantage for the companies, dealing mainly with exports is not only in the enlarged markets, but also in the fact, that they carry out their business under the conditions of various characteristics of the industries (enlarged to the dimensions of the Single European Market or another regional structure, or integrated by the average indicators of the importing countries).
3. The quality parameters and requirements for the technical, economic and performance characteristics of the goods and services set by the European market are compulsory and very high. This high level of the requirements becomes a kind of barrier and diminishes somehow the opportunities for the product-based competition, when the uniqueness component is not available. The non-price competitiveness of the companies is changing under the conditions of the domestic markets as well.
4. The price policy is the most sensitive element of market management and an instrument for positioning the competitive advantages. Relatively good results for the status of the management practices of the Bulgarian companies, are obtained in view of the level of utilization of the methods and means of establishing the price system. This sphere is the most difficult to manage and it is affected by the crisis most dynamically.
5. The promotional activity of the companies is still void of any unified, systematic approach in optimizing the activities of the components of the promotional mix, it is not bound by the other manageable parameters of the marketing mix, it is not in conformity with the characteristics of the industries. The companies consider promotion and advertizing a factor to stimulate the sales of goods and services, not a systematic factor for developing the competitiveness of the strategic market unit. The information and advertizing campaigns are still inactive and casual to a great extent.
6. The crisis is an extremely strong factor, affecting directly the corporate status – via the components of the horizontal competition, on the entry and exit of the companies, having significant impact on the price and the quality benchmarks of the businesses, inducing them to decrease the profitability and the turnovers of their businesses. The crisis affects the companies indirectly as well - through the unfavorable business environment, the growing threats by newcomer foreign companies and the reduced defendability regarding new products and services, and substitute products. During the period 2009 - 2010 - 51% of the companies stepped down to a lower group when assessing their market status.
7. Under the crisis conditions the business environment becomes much more indefinite. One of the hardest factors, determining the growing intensity of the

competition within the economic sector is the stagnating and even decreasing purchasing power and respectively the market potentials. The long-term keeping of such states intensifies the competition, affecting the technical & economic optimums and the technical & economic minimums and making the players leave the industry. The strong pressure on the companies magnifies the risk components and respectively the returns. The cost control becomes crucial.

8. The structure of the industrial branch is disturbed in view of the available equilibriums among the main ratios of the motive competitive features, between price competitiveness and non-price competitiveness, in direct relation to the types of the obtained market advantages and respectively allocation of the market shares. The intensification of this process is evident in most of the economic sectors by means of the indicators: price index and the differences among the trade marks (even with the more limited indicator: average promotion and advertizing costs per sales unit). This process of strategic imbalance affects powerfully the small- and medium scale businesses, which however are much more adaptive in strategic point of view, on the grounds of the repositioning and focusing strategies. It is very difficult to be overcome also by the big players from the first strategic group. A loop is formed between feed and feedback. Feed – the disturbed equilibrium in the economic sector has a negative impact on the corporate development, feedback– the strategic destabilization of the leading companies enhances and deepens the process of deteriorating the main characteristics of the sector. The dependence is very dangerous with multiplying effect and only the elimination or extenuation of the negative aspects of the external (exogenous sector) factors could make the process abate.
9. The above-mentioned impacts of the crisis such as the micro factor and the macro factor are quite unfavorable both for the company itself and for the typical development of the industrial branch markets. The consequences: imbalance in the ratios among the players in the respective strategic groups; permanently low and decreasing margins; the reducing product differentiation; irregular quality; low promotion and advertizing costs, low A/S ratio; drastic decrease in the expenses for innovation development, technical, technological or organizational innovations etc. are typical for the decline of the economic sector – the forth stage of its life cycle.
10. The main deduction from the analysis of the microeconomic effects of the crisis is, that if the above-mentioned stagnating factors continue for a long time and no active measures are taken to restrict or eliminate them, the endogenous economic sector characteristics shall reach low values, causing decline of the sector. Construction, services, light industry and commerce could be the most severely hit spheres.

Most of these conclusions, made from a study carried out in December 2010 coincide with the conclusions from previous studies and publications of the author. It proves a retarded and difficult elimination of the negative practices and a lack or ineffective use of up-to-date methods of analysis, forecasting and planning when elaborating the strategic corporate management, as well as a repeated lack of

coordination and a deficit in the systematic thinking and acting during the operative market positioning of the companies and the strategic business units. These types of statuses are mainly due to the conditions of the crisis, in which the Bulgarian businesses operate.

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