

ANALYSIS OF THE COMPETITIVE ENVIRONMENT OF THE FOUNDATION OF SUSTAINABLE DEVELOPMENT

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Abstract: *The competitiveness of any economic activity is related to the development and implementation of effective strategies that maximize stakeholder profits. Strategies define the company's long-term direction and ensure the management of resources to achieve the objectives. Also, knowledge of the direction and steps to follow can lead to an essential reduction in the risks of operationalization of the company's strategies. Each factor is subjected to a specific analysis process to identify the characteristics and issues underlying the development of the economic strategy. This analysis is a managerial tool to examine the organization to identify the problems it encounters and to find solutions to solve it. On the basis of the theoretical aspects presented in the paper, a case study was carried out at Electrica Furnizare. Customer focus, service quality, constructive dialogue with customers, willingness to develop and innovate are aspects that Electrica Supply offers besides supplying electricity and perhaps supplying natural gas. On the basis of the analysis carried out, proposals and recommendations may be formulated to generate the sustainable development of the organization.*

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JEL Classification: *O12, Q56.*

1. Introduction

For organizations, it is very important to know your competitors. Identifying competitors helps determine the strongest. The information may come from the direct study of competitors, media and consumers (joint customers or customers who have switched supplier). The methods and techniques used to obtain information must be consistent with business ethics.

Types of competitors that a company may face:

- Direct competitors - offer similar or identical products. By addressing the same consumers, they are the most important competitors, making it difficult for the firm to attract new consumers even if they offer better products or lower prices.
- Indirect competitors - firms offering substitute products targeting the same category of buyers.
- Future competitors - companies that are not yet direct or indirect competitors, but could become at any time.

After identifying the main competitors, the firm has to reverse the roles, put competitors in order to figure out the goals they are pursuing, and initiate a set of assumptions.

A relevant hypothesis is that all competitors aim to maximize their profits by the importance of long-term or medium-term profits.

An alternative hypothesis might be that each competing firm is pursuing a combination of objectives: current profitability, positive cash flow, increasing market share, renowned.

A company that wants to expand and increase market share must keep in mind the expansion plans of its competitors.

If the strategies of two firms are similar, the competition between them is more aggressive. On the electricity market, suppliers are selling the same product, at the same quality and at about the same price, leading to fierce competition.

The bottom line is that if a new firm enters such a market segment, it will have chances of success only if it has strategic advantages in dealing with other competitors.

For effective strategy development, a firm needs to know its opponents well. Managers have to constantly compare their own resources with competition, discovering how to build competitive advantage. May prepare defensive actions to counteract competitors and launch in effective marketing campaigns against them.

Managers need to take action and be prepared to fight with their opponents and counteract newcomers.

2. Considerations on the liberalization of the electricity market

With a history of over a century and extensive experience in energy, Electrica SA has a clearly defined mission: to provide its clients with exceptional standards in safe, permanent, accessibility and sustainability.

At present, the Romanian electricity market is a challenge for all participants. They must strike a balance between maximizing earnings and minimizing risk. Electrica Supply Company has all the necessary resources in terms of competence and flexibility to provide its customers with competitive and stable sources of electricity.

Electrica Furnizare SA registered a turnover of 931 million euros in 2016. Year 2016, compared to 2015, supports a positive evolution of the company: 39 million euros net profit at the end of 2016 compared to 29 million euros net profit at the end of 2015.

The company operates through three subsidiaries, former subsidiaries of electric energy Some branches of electric energy Muntenia Nord Ploiesti Branch Electricity supply Transylvania North Cluj Branch Electricity supply Transylvania Sud Brasov in 18 counties under the License of Supply no. 1028 / 18.08.2011, with the right to supply electricity throughout the country due to the liberalization of the electricity market.

The number of places of consumption did not show a spectacular evolution in general if their situation is analyzed by society (Table no. 1).

Table no. 1. The number of consumer places in the end of 2014, 2015, 2016, served by Electrica Furnizare SA

Number of consumer places Electrica Furnizare	2014	2015	2016
Household Customers	3.359.038	3.381.457	3.380.554
Non-Household Customers	205.676	210.318	218.179
Total	3.564.805	3.591.775	3.598.733

Source: Processing after reporting Electrica Furnizare SA

The liberalization of the electricity market has led to the migration of consumers from the regulated market to the competitive market, especially non-domestic customers, by the beginning of 2016. Starting with the second quarter of 2016, when market liberalization reached 50% and for household customers, they have become interested in the new perspective and have opted for switching to the free energy market. Customers of the company opted for switching to the competitive market, but many opted for switching to the electricity supplier. At the same time, the company has attracted new customers from the areas where Electrica Supply is not a supplier of last resort but also customers who in the past have been clients of the company, through competitive prices, professionalism, customer assistance in solving problems in power supply and representation in relation to the network operator.

Table no. 2. The number of consumer places served by Electrica Furnizare SA on the competitive market, by categories of customers

Number of places on the competitive market	2014	2015	2016
Household Customers	5	19	30.612
Non-Household Customers	48.246	71.347	98.255
Total	48.250	71.366	128.867

Source: Processing after reporting Electrica Furnizare SA

Although the electricity market has been liberalized, Electrica Supply Company has been able to keep and attract customers, so that the total number of consumer places served has increased slightly in 2016 compared to the previous year.

3. Competitive environment analysis - case study conducted at Electrica Furnizare S.A.

There are two types of suppliers in the energy market:

- Supreme court vendors
- Competitive suppliers

The suppliers of the last instance are designated by ANRE in accordance with the applicable regulations and are obliged to ensure the supply of universal electricity to household customers who have not exercised their eligibility; non-household final customers who have not exercised their eligibility and who fulfill the conditions imposed by the legislation; household customers and non-household final customers who meet the conditions imposed by the universal service legislation and who have remained without electricity supplier for reasons beyond their control (the supplier went bankrupt or bankrupt, triggering legal proceedings to suspend or withdraw the license).

Electrica Furnizare SA is one of the providers of the last resort, having the obligation to ensure the supply of electricity to all household and non-household customers who have places of consumption in the Muntenia Nord, Transilvania Nord and Transilvania Sud distribution areas and have not opted to switch to competitive market to another supplier. At the same time, Electrica Furnizare is also a competitive supplier.

In the period 2014-2016, Electrica Furnizare lost 8,508 customers¹, of which 3,865 household customers only in 2016 and managed to bring into the portfolio 1,657 customers of which 1002 household customers. Although the number of customers taken from other suppliers was lower than the number of customers lost, the volume of energy sold was rising.

Electrica Supply has undertaken several initiatives to counteract increased competition:

- Retention / Reflow process implemented (19% success rate);
- Establishment of the sales force in Bucharest with notable results (to attract new customers from the distribution area Enel Distributie Muntenia, supplier of last resort Enel Energie Muntenia);

¹ The number of customers is not equal to the number of places of consumption. A customer may have from one to several hundreds of consumer places (eloquent example - stores with national coverage)

- Participation in all auctions on BRM platforms (Romanian Commodities Exchange) and SEAP (Electronic Public Procurement System) where the success rate was 15%. The most active suppliers on auction platforms: Enel, RCS & RDS, Tinmar and Hidroelectrica;
- He participated in all closed envelope invitations. Such auctions were held by consumers with many consumer places (Telekom, Lidl etc.), with the success rate being over 50%.

For the analysis of the competitive market, two major electricity suppliers were considered, which are at the same time suppliers and competitive suppliers, namely the Enel Group consisting of Enel Energie and Enel Energie Muntenia with a market share of 16.28% and EON Selling with a market share of 8.26%.

The analysis was based on the use of a management tool called an evaluation grid that highlighted the key success factors for the firms under review (Table no 3).

Table no. 3. The rating grid used to analyze the competitive position

Key success factors	Coefficients of weight G_i	n_i Notes granted			Weighted average score N_m		
		Electrica Furnizare	EON Vanzare	Grup Enel Energie	Electrica Furnizare	EON Vanzare	Grup Enel Energie
Company image	0,5	4	4	3	2	2	1,5
Human resources	1,5	5	4	4	7,5	6	6
Technology	1	3	3	4	3	3	4
Information system	0,8	4	4	5	3,2	3,2	5
Involvement in customer satisfaction	2	5	3	4	10	6	8
					25,7	20,2	24,5

For a good position on the competitive market, it is necessary for the suppliers to meet the customer, to help him solve the problems related to the supply of electricity or in relation to the distribution or transport operator.

The provider must have qualified, well trained and informed staff, good representatives in the customer interface.

Technology and the information system can not be left to the last level. The evolution of information technology in recent years forces electricity suppliers to keep pace with the latest developments in the field not just for the company's database or billing and contracting part. The customer wants to be able to see their billing data, invoices and payments permanently. Electrica Supply has first set up the Virtual Office, which has been operating since 2015, and the customer can create an account and learn news about payments and bills, and from the end of 2016, the online My-electrica platform has been set up, an application that can be downloaded even and on the phone.

It should also be noted that the main rivals of the Electricity Supply Company are also gas suppliers, providing customers with complete gas and electricity packages or other complex packages.

EON benefits from the largest portfolio of gas-electricity customers due to its historical position on the two markets - the supplier aims at expanding the common service packages throughout the activity area, the Transilvania Sud Braşov and Transilvania North Cluj Branches being the main target areas.

Engie has begun accelerating to consumers in the electricity market, including access to its own wind farms. Significant efforts

were registered in the segment of small and medium-sized companies. The "Smart Termo" service offered by Engie allows consumers to monitor and control their cell / tablet / laptop heating system. Engie also provides customers with heating and air conditioning maintenance, installation, revisions and checks of thermal power plants.

Enel launched the "Enel Assistance" service in 2015 to provide electrical service, locksmith repair, boiler repair and towing services through a monthly subscription. In partnership with eMag, Enel operates an online store for low-power electronics and home appliances.

Electica Furnizare has in its portfolio important customers with annual electricity consumption of over 80,000 MWh. These are the customers with the highest negotiating power. They, besides the energy price, negotiate the payment terms, the percentage of the penalty applied in case of delays in the payment of the bills, but may even demand performance guarantees in terms of continuity in the energy supply and mediation with the transmission or network operator, as the case.

Another category of clients who impose their own contractual conditions are budgeting. They are required by law to purchase electricity by auction. Auctions in general are made on the BRM or SEAP platform. The contractual conditions are found by electricity suppliers bidding before signing up. Effective bidding is a tacit acknowledgment that they assume the conditions imposed by the customer purchasing the energy in this way. The power of customer negotiation grew with the liberalization of the energy market and the increase in the number of electricity suppliers, and they could choose the electricity supplier according to their own principles.

From a strategic point of view, Electrica Furnizare turned its attention to the competitive suppliers with renown on the Romanian energy market, but from the middle of 2016 new suppliers on the market felt their presence.

New suppliers of electricity entering the market are likely to attack areas where traditional suppliers - suppliers of last resort operate, according to the decision of the National Regulatory Authority for Energy.

Sometimes, salespeople have aggressive ways to attract customers or even liar. Such a funder is Eva Energy, whose agents are given as representatives of the default provider. With the liberalization of the electricity market, the supplier is changed according to ANRE Order 105/2014. Failure to do so may result in the surrender of the electricity supply license for the supplier who repeatedly violates this order. This change does not involve costs from customers.

RCS & RDS is one of the new entrants to the energy market. With a market share of 3.61% at the end of 2016 and a market share below 1% at the end of 2015, it is a provider with a strong strategy. He offered at advantageous prices to non-household customers and offered Internet-TV-packets for household customers.

4. Conclusions

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The case study conducted at Electrica Furnizare Company aimed to highlight the opportunity for sustainable development on the basis of a pertinent analysis of the competitive environment in which the organization operates. Increasing the company's efficiency should be at a low cost so that it remains a leader in the electricity market, meeting the needs and expectations of its partners through flexibility, modernization, innovation and social responsibility.

The organizational structure and the distribution of well-defined responsibilities in the company has as main purpose the maintenance of the portfolio of clients and the attraction of new clients. Each Subsidiary of the Electricity Supply Company has to deal with segmentation of customers based on average monthly electricity consumption. Their bidding will be at differentiated prices, depending on the average consumer and the recorded hourly profile. It is envisaged the formation of sales agents to attack areas with high and average density of potential customers. It is also a matter of relying on existing customers with significant consumption by awarding promotional prices for specified periods in which the price is guaranteed and the customer is not affected by fluctuations in the price of energy in the market.

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