

THE ASSESSMENT OF REGULATIONS IMPOSED ON ENTERPRISES' COMPETITION ON THE MARKET OF THE REPUBLIC OF MOLDOVA

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Abstract

The paper analyzes the concept of competition and competitiveness, the types of moving forces of competition, the indicators characterizing the level of enterprises' competitiveness on the market (potential of company's resources, the level of revenue and costs, the access to financial resources, staff motivation, management culture etc.) as well as the evaluation parameters of market competition (market power, barriers of enterprises to enter the market, new enterprises entering the market to create price competition and stimulate innovation, forcing firms to exit the market, innovations introduced by enterprises in the market, increased tariffs' costs incurred by competitors). A special place belongs to the assessment of the regulations with various restrictions in terms of competition.

Keywords: *competition, competitiveness, potential resources, evaluation parameters, competition costs.*

1. Introduction

One of the main categories of modern economic science is market competition, which is a race between manufacturers of goods and services to occupy the free „niches” of the market [4, p. 58]. For the market economy competition has special significance because it serves as progressive movement, ensuring bidders of products (services) the expected profit and consumers satisfying the consuming needs.

2. The degree of investigating the problem

Studying literature on competition issues is one of the central objectives of marketing research, based on the content of knowledge and objective of competition, forms of competition and competitors' typology [3, pp. 107-115]. Usually there are two opposing concepts of market structures: a) perfect competition market - when there are many bidders and missing barriers for entry; b) the imperfect competition market that has various forms: pure competition, monopolistic competition and oligopolistic competition. These two opposing notions are conventional because of the reason that real markets are located towards the first or the second extremity.

3. Applied methods and material

In the research we relied on the study of doctrinal, legislative and practical materials. The complexity of the problem led to the application of general and legal scientific methods. The comparative method is an essential element for the given research.

4. Results obtained and discussions

4.1. The concept of competition evaluation and competitiveness on the market

In order to increase the quality of the evaluation regulations in terms of competition it is required to observe the principles when the competition assessment may be included in the analysis of the regulatory impact. Thus, a detailed assessment of competition can include [1, pp. 33-35]:

- Clear identification of policy goals;
- Formulation of alternative regulations that would lead to achieving the policy objectives;
- Evaluate the effects of each alternative on policies;
- Comparing alternatives.

The evaluation principles of competition provide an introduction to the competition's Checklist, illustrate the benefits of competition and demonstrate the effects of policies on competition.

The first stage of the competition's assessment is completing the competition's Checklist. Most regulations do not require a detailed assessment of the competition. However there are some kinds of restrictions of competition identified in the Checklist that need a more detailed assessment of competition.

Quality regulations are perceived as becoming more like those that bring desired results with lower costs. Regulatory impact analysis involves comparing the possible outcomes based on the economic environment and would not allow changes of major parameters that adjust this environment. By comparison, the competition policy analysis refers to the impact of changes in market conditions on the level of competition and the possible outcomes related to economic efficiency and consumers' welfare.

The competition is characterized by applying the five forces explained by M. Porter [6], including: The influence on „Competition within the branch” by the market forces: suppliers, consumers, potential competitors and substitutable products.

Thorough analysis of the forces of competition in the branch enables the company to assess the strong and weak sides of each participant and determine the time of substitutable products' appearance. As a result, the enterprise can choose the most successful competitive strategy and position itself on the market in order to accumulate a maximum profit.

Based on statistical data analysis of different industries M. Porter has revealed the major reasons of successes and failures in the competitive battle of firms from different countries. M. Porter proposed the concept of competitiveness based on four determining attributes for each country where the firms operate, including: a) the parameters of production factors; 2) parameters of product demand; 3) firms' strategy, the structure and nature of competition between them; 4) related and supported enterprises within the branch. These determinants of competitiveness allow

determining the level of potential competitiveness of each business in the chosen country. There are several types of moving forces of competition: increasing or decreasing the demand on long term as a decision-making factor for attracting investments and new companies in the market; dynamic demand structure as a condition for creating new distribution channels and change of marketing tactics; product's renewal in order to stimulate the demand and wider the market of new products; technological innovation in production which will allow reducing costs and increasing product's life cycle; innovations in marketing that will boost new forces to change the competition conditions and the positions of competing enterprises; changing the leaders in the competition which will help change the round over competition and the emergence of new competitors in the market; increasing the preferences and tastes of potential buyers will help increase the competitiveness of some products on the market; changing the state policy can directly influence the market volume and competitive conditions of the enterprise.

4.2. Specifics of competition regulations imposed on competitiveness of commercial enterprises and consumer cooperatives

Concerning the commercial enterprises and consumer cooperatives the competitiveness analysis is based on research management, divided into the following blocks: the aim of the enterprise; the potential resource of the enterprise; revenue and expenditure analysis of the company; access to credit and other financial resources; staff qualifications; employees' motivation (stimulation); management culture; new products; market power and competition level; the barriers to entry for new firms on the relevant market; new firms entering the market; enterprises leaving the market; innovation and sales' effectiveness; increased costs for competition to try to prevent them not to obtain success on the market [2, pp. 16-25].

On the basis of management research the current activity of the enterprise is analyzed and the effectiveness of this activity with the help of indicators is evaluated: the share of the enterprise on the market, sales profitability, the level of commercial risk, the share of domestic products in total sales volume. Usually the commercial enterprise must increase the sales profit and satisfy the consumers' demand on products and services.

It should be mentioned that the company's profitability depends not only on the commercial prices of each product, but also on the speed of products' movement. This is an important part of management research to ensure sales' rotation and increase the corporate profitability. On the other hand, managerial analysis involves determining the level of freedom of management control and strategic opportunities of development of enterprises in the analysis and evaluation of regulations in terms of competition (Figure 1).

In developing the strategy of enterprise's development it is necessary to analyze the enterprise's development history and current development strategies to determine based on which resources the company achieved market success. Despite the fact that Moldovan enterprises operate for a short time in market conditions, however SWOT analysis, strengths and weaknesses in comparison to its competitors serve as an important basis for developing a strategy in the future.

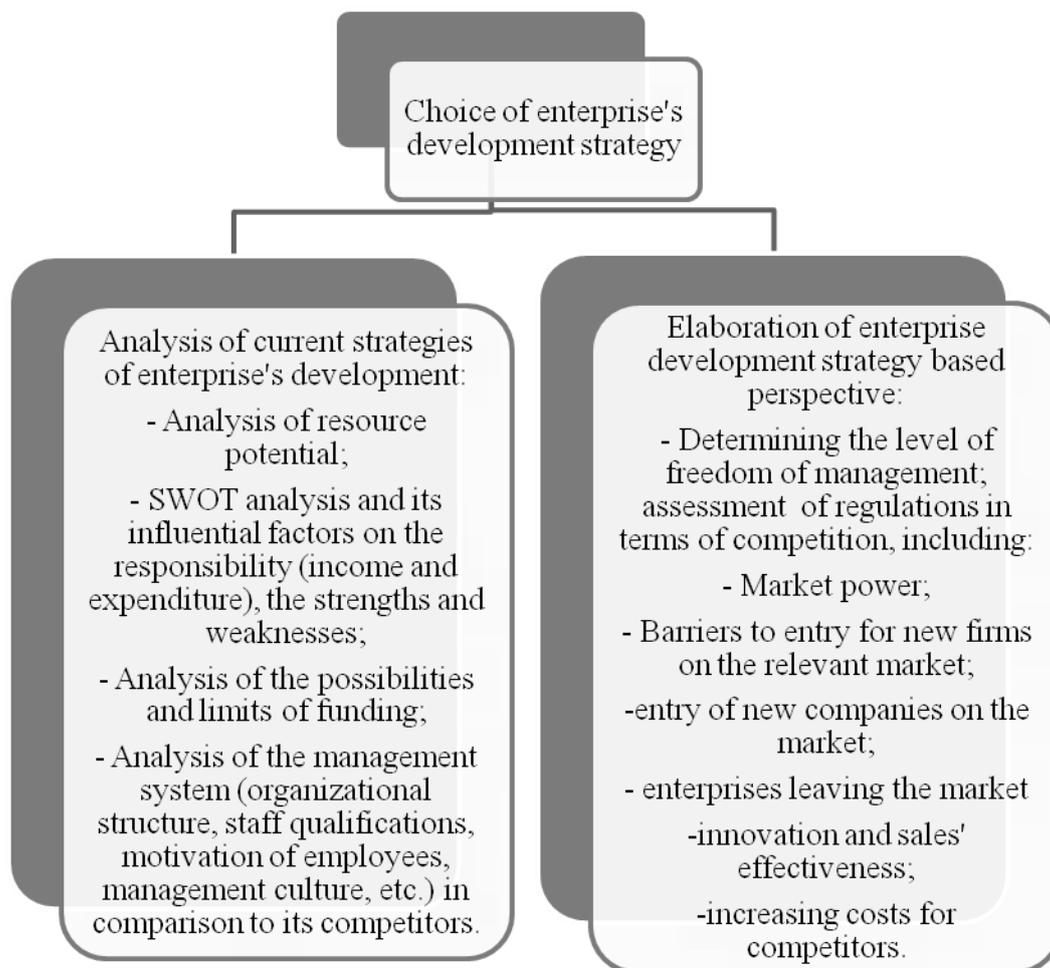


Figure 1: Determining the strategic opportunities of the enterprise from the point of view of competition

By analyzing current development strategy for the company and the activity of its competitors, the enterprise must determine its own competitive advantages and evaluate regulations imposed by competitors. The main focus in directing the company should be placed on assessment issues related to: market power, barriers of enterprise to entry the market, new competitors entering the market, firms leaving the market, innovation and efficiency, increased costs on competition [5, pp. 3-5].

Market power requires the ability of companies to use higher tariffs on competitive levels and consequently to record significant profits or economic returns higher than normal [1, p. 17]. Any assessment of market power is necessary to achieve products and services on selected market. Highlighting the products (services) on a selected market is performed depending on the fact if the product sold by the company is a close competitor or substituted for the one achieved by the other economic agent. The level of substitution between goods (services) of two businesses depends on a set of factors that influence the tangible components (merchandising features, sizes, shape, weight, gauge, packing) and intangible components (name, brand, age, price, legal protection by patent etc.) of the product [4, p. 253]. Highlighted markets can be narrower or wider to the ideal market which we know. The structure of highlighted market depends on: the number of businesses positioned on the market (the higher number of enterprises is on highlighted market, the lower the

market power will be); the concentration of production within some huge enterprises on the market (the more production is concentrated in the hands of a few more companies, the bigger is the probability of emergence of market power).

Barriers to entry market highlighted businesses provide a perspective on the level of competition with contacting companies which are already on the market. Thus, in the event that the barriers to entry are high, then already existing companies can tackle an anti-competitive policy by increasing tariffs for new agency-entrants and limit the exercise of market power by them. Rating barriers to entry would be useful to regulate the competition because the amount of negative effects on competition will depend on the increased number of barriers that will impose constraints upon competition. If barriers have a low level of influence, the competition is less affected.

The literature highlights various types of barriers to entry the market [2, pp. 19-21]:

- Natural barriers - can occur due to natural factors (high fixed costs of natural resources in different geographical areas);
- barriers on irretrievable costs to entry - means that there is high cost that the company cannot recover if it decides to leave because of low sale value or high costs for advertising and others;
- barriers created by existing companies' behavior on the market - can have negative effects on competition because it increases the switching costs for changing the supplier but the competitors and newly entranced agencies are disadvantaged;
- Barriers induced by governments' regulations of different countries - may create difficulties in starting new businesses on the ground that bureaucratic procedures are costly for a period of time and many countries favor the enterprises which are already on the market.

We conclude that the assessment of the level of barriers to market entry is an important component in assessing the impact of regulations on competition.

Entry of new enterprises - can create serious competition for market prices; stimulate innovation which will lead to a wider range of products (services) and an increase in quality. However, if the market entry of new companies is easy, then the existed companies will exert the market power less because they will give a portion of profits up. The entry of new companies may be less profitable when the barriers to entry are high.

The firms leaving the market - could lead to an increase in the power exercised by existing businesses, which will contribute to high prices. Companies that do not do significant investments will have to exit the market because of the impossibility to access the market with new prices and other factors.

Innovation and efficiency - can provide more positive results due to increasing sales effectiveness, improving product quality, creating a wide range of products in the commercial network, improve customer service. It is necessary to carefully examine the effects on innovation as the assessment of business conduct impact will allow you to bring significant benefits.

Increasing costs for competitors - can reduce the level of competition in the market and record higher profits for the reason that companies which are already on the market try to impose costs on competitors trying to gain success in commercial networks. Businesses which exist already on the market are lobbying to get protectionist provisions to continue their functioning under the old regulations for a period of time and essentially affect competition.

4.3. Assessment of the effects upon competition

Officers responsible for regulations must consider three important aspects when starting the process of evaluating the effects [2, pp. 86-87]:

- a) The starting point of any assessment must be objectives that will make it easier to evaluate alternatives that lead to achieving the objective of odd phenomena on the market.
- b) Listing existing barriers to competition, including: barriers linked to regulations to market entry and their possible effects on competition will be highlighted; barriers related to overheads or stranded costs related to investing heavily in advertising or R & D spending; barriers related to the conduct of undertakings already on the market that will make competition more difficult from other businesses that would like to enter the market.
- c) If there are restrictions on prices, the regulation will be considered carefully, and the evaluation is undertaken with alternatives which will affect less the long-term operation of the market.

It should be mentioned that a combination of different types of barriers could have a significant impact on competition. It is important to assess the impact on businesses which already are on the market, the effect on market entry by new businesses, the impact on goods and services prices, the impact on the quality and variety of goods and services; the impact on operations efficiency and innovation enterprise; the effect on market growth and conexo markets (upstream and downstream). We can conclude that the proposed regulations and laws must be restructured to minimize the damage upon competition.

5. Proposals

As a result of this research we can offer the following recommendations:

1. Studying regulations on competition and competitiveness is one of the central objectives of marketing research - since these reflect the situation of the competitive market and characterizes the efficiency of their business.
2. The paper analyzed the specific of assessment of competition regulations imposed on commercial enterprises and consumer cooperatives, highlights the key indicators for determining the strategic opportunities of enterprises in terms of competition.
3. For the purpose of elaborating the strategy of enterprise's development it is recommended to analyze:
 - a) On the one hand, the history of company's development, its current development strategies, the resource potential, the factors influencing the profitability, strong and weak sides in company's activity.
 - b) On the other hand it is recommended to set the level of freedom of managing the enterprise, assessment of regulations related to: market power; barriers to entry of new enterprises in the relevant market; new businesses entering the market; firms leaving the market; innovation and sales effectiveness; increasing costs and tariffs for competitors.
4. It is rational to assess the effects upon competition to minimize the damages to the regulations, placing fewer restrictions on market processes and existing barriers on the way to competition.

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Rezumat

În lucrare sunt analizate conceptul concurenței și competitivității, tipurile forțelor de mișcare ale concurenței, indicatorii ce caracterizează nivelul competitivității întreprinderilor pe piață (potențialul de resurse al întreprinderii, nivelul veniturilor și cheltuielilor, accesul la resurse financiare, motivarea personalului, cultura managerială etc.), precum și parametrii de evaluare a concurenței pe piață (puterea de piață, barierele în calea intrării pe piață a întreprinderilor, intrarea întreprinderilor noi pe piață pentru a crea o concurență de prețuri și stimula inovația, forțarea întreprinderilor să iasă de pe piață, inovațiile aduse de către întreprinderi pe piață, creșterea costurilor, tarifelor suportate de concurenți). Un loc deosebit aparține evaluării reglementărilor cu diverse restricții din punctul de vedere al concurenței.

Cuvinte-cheie: concurența, competitivitatea, potențialul de resurse, parametrii de evaluare, costuri pentru concurență.

Аннотация

В статье рассмотрены содержание конкуренции и конкурентоспособности, виды движущих сил конкуренции, показатели, характеризующие уровень конкурентоспособности предприятий на рынке (ресурсный потенциал предприятия, уровень доходов и расходов, доступ к финансовым ресурсам, мотивация персонала, культура управления и др.), а также параметры оценки конкуренции на рынке (проницаемость рынка, барьеры проникновения предприятий на рынок сбыта, проникновение новых предприятий на рынок с целью создания ценовой конкуренции и стимулирования инноваций, вытеснение предприятий с рынка, новшества введенные предприятиями на рынке, рост затрат, тарифов конкурентов). Особое внимание отведено оценке законодательству, которое ограничивает конкуренцию.

Ключевые слова: конкуренция, конкурентоспособность, ресурсный потенциал, параметры оценки, конкурентные затраты.

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