PRACE NAUKOWE AKADEMII EKONOMICZNEJ WE WROCŁAWIU
Nr 1118 2006
Agrobiznes 2006
Konkurencja w agrobiznesie – jej uwarunkowania i następstwa

Justina Macner
Mazda Motor Europe GmbH, Leverkusen, Niemcy

DEMAND AND SUPPLY DYNAMICS ON THE COMMERCIAL VEHICLE MARKET IN EASTERN EUROPE

1. Introduction

The movements that have been taking place in Europe over the past several years have caused changes in social, political and economic systems. The globalizations of economic relations and political-economic integration have led the markets to a development of a union without customs barriers and to the unification of economic activities.

Technical and organizational improvements have caused momentous improvemens in the Eastern European production and supply. As a consequence, the external freight traffic in Eastern Europe increased significantly making the region one of the EU's most important trading partners.

2. Demand and Supply Situation on the European CV Market

Mobility is the leading basis for economic growth and a revitalized labour market. An efficient and adequately operating traffic system has an enormous importance for every economy. The increasingly global impact on companies with changed production structures and sales strategies affects freight traffic; the international traffic grew in an important way through the union of European countries and political and economic development in Middle and Eastern Europe.

Based on a higher transportation traffic, 85% of which takes place by road, the worldwide Commercial Vehicle (CV) demand shows a positive growth in the last few years. Europe indicates an particularly strong increase, looking at consolidated European CV Segments of: Light Commercials (up to 1.8T GVW), Medium

Commercials (1.8T to 3.5T GVW) and Heavy Commercials (3.5T+ GVW) with over 1.8 Mio registrations in 2005, of over 10% versus the previous year, as shown in Table 1. And the trend for Europe is continuing, as a result of the Accession Countries (AC10) and the remaining East European countries.

Table 1. European Sales Volumes on CV market (in units)

	2000	2001	2002	2003	2004	2005	F/C 2010	F/C 2015
Euro 15	1 287 148	1 287 385	1 241 776	1 234 782	1 357 965	1 402 083	1 356 639	1 359 146
Belarus	5 248	3 704	4 498	5 185	5170	5 437	5 900	6 574
Bulgaria	507	675	786	837	995	1 164	1 428	2 083
Croatia	2 258	2 969	4 141	4 290	4 108	4 513	4 079	5 122
Czech Republic	17 111	16 923	17 369	17 799	9 882	20 089	23 337	26 601
Estonia	1 244	1 509	1 670	1 863	2 087	2 426	2 852	3 507
Hungary	20 676	21 393	24 072	18 760	17 077	15 496	21 852	26 375
Latvia	1 498	1 523	1 578	1 789	2 150	2 456	2 436	2 949
Lithuania	1 763	2 379	2 136	2 527	3 281	3 320	4 179	4 437
Poland	31 399	22 388	21 835	26 087	33 147	29 480	38 546	46 154
Romania	5 782	6 408	8 377	9 007	12 056	16 072	15 854	19 763
Russia	228 210	207 676	217 831	217 954	249 672	237 069	274 634	288 990
Slovakia	4 405	5 326	5 471	5 670	5 877	6 021	7 398	7 963
Slovenia	4 267	4 588	4 763	5 089	5 250	5 276	4 992	5 965
Ukraine	24 955	18 032	23 143	25 509	23 824	26 052	31 125	36 586
AC10	82 363	76 029	78 894	79 584	88 751	84 564	105 565	123 951
Euro 25	1 369 511	1 354 414	1 320 670	1 314 366	1 446 716	1 486 647	1 462 204	1 483 097
Eastern Europe	349 323	315 493	337 670	342 366	384 576	374 871	438 585	483 069
Europe Total	1 676 795	1 635 339	1 617 197	1 612 625	1 782 974	1 819 870	1 836 937	1 883 996

Source: own report based on internal company data.

Looking at the EURO15 figures, it's not difficult to recognize that the market is almost stagnating and taking into account the forecast for this region, it does not show any growth potential, in contrary, the EURO15 zone will slowly decrease in the near-term. On the other hand, the AC10 countries show increasing retail figures with growth rates up to 50% in total, whereby countries like Estonia, Latvia or Lithuania show ratios of over 100%.

3. Momentum in Eastern Europe

During the last one and a half decades, radical changes took place in Eastern Europe and, according to the forecasts, the development process is not at the end. The enormous growth indicates high potential and makes the area one of the biggest and most important trading markets. Even before joining the EU, the Accession Countries were in the 2nd place after the US as a European trading partner with a share of 14% and a monetary value of 267 billion Euros. The economic integration into the EU and the growing per capita income have additionally caused a growth of imports and exports and therefore a positive development in the freight traffic.

The CV-Sector in particular demonstrates the potential of Eastern expansion. First and foremost, road traffic demonstrates a significant increase; trade restraints no longer valid and the low cost structure increase the attractiveness of investments and production shifts.

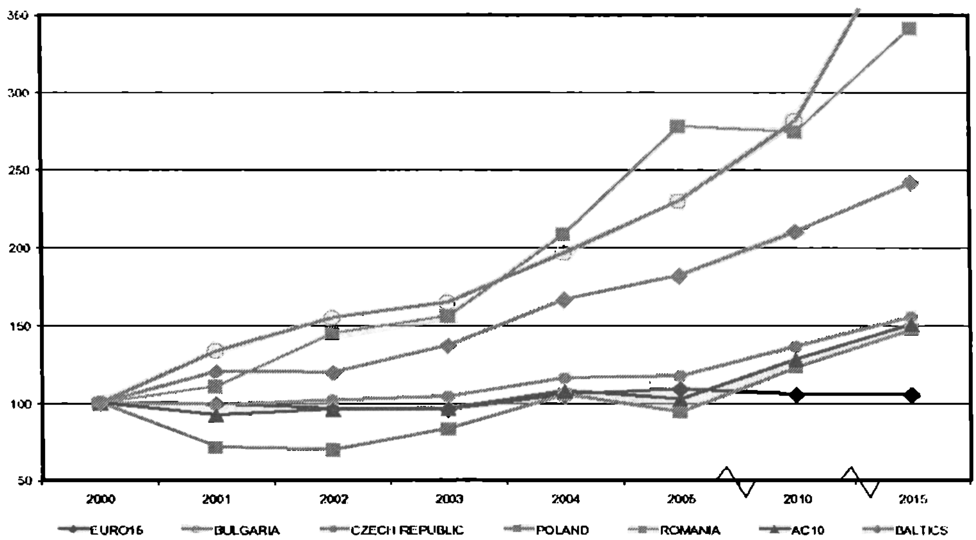

Fig. 1. Sales growth forecasts within European markets (basis 2000 = 100)

Source: own figure, based on internal company data.

Even before joining the EU, most of the Accession countries demonstrated high sales growth potential (Fig. 1). And after the accession the trend kept still ongoing, with markets like the Baltics forecasting growth rates of 150%, but even markets like Poland or Czech Republic with high level of competition forecast a positive trend with growth rates of 50% for 2015.

Nevertheless the highest sales potential can be recognized in Non-EU markets like Bulgaria or Rumania, with growth rates of over 250%.

4. Competitive Behaviour on the CV Market

Competition can be defined as a complex mechanism within a market place, which becomes more and more significant with the internationalization and globalization of the world trade markets.

According to Porter's "Forces of Competition" used for structural analysis of the consumer industry, we can identify five factors determining the impact on the competition within a market. Porter's competition principles can also be extrapolated to the CV market where the industry or transportation companies act as consumer or customer (Fig. 2).

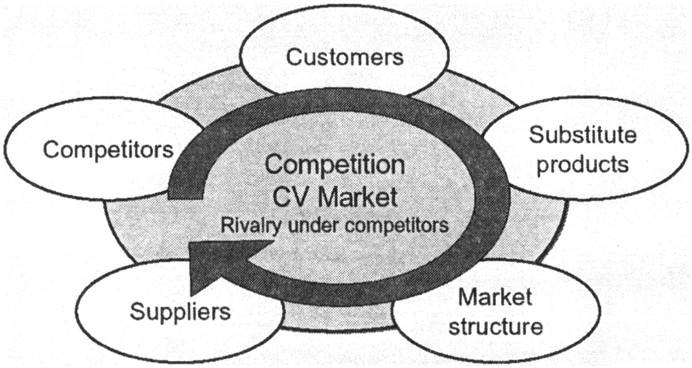

Fig. 2. Forces of competition

Source: [Porter 1997, s. 26].

The market is defined on the one side by potential competitors, as the new market participants mean extended capacities which could cause a slide in market prices and with it, a decrease on the return of investments. Expecially compatitors with srong innovation potential or low cost production can take a strong competitor position. Looking at the competitors, the East European CV market is still dominated by domestic companies, mostly by Russian manufacturers, even if the production volume is decreasing year by year. KamAZ for example had to throttle back the production to under 1/3 of its previous capacity compared with prior years.

Also the suppliers have a very strong negotiation position in the automotive market, which can even have an impact on prices and conditions. The strength of the suppliers is greater in case of a small number of supplier groups, hardly any alternative products and if the supplier has an important impact on the success of the manufacturer.

On the other side, there must be recognized the negotiations strenght of customers which, as in case of supplier, has also an enormous impact on the rivalry between competitors, playing off one manufacturer against another, asking for higher quality or more service.

Market conditions can also influence the competitive situation; possible factors having impact of the competition in a branch are: market growth, infrastructure and heterogeneity, fixed costs, number of competitors or their force of competition and success. After political and economic changes and the ongoing market development a number of companies already established on the world market have integrated the East European CV manufacturers into their own company structure (Fig. 3).

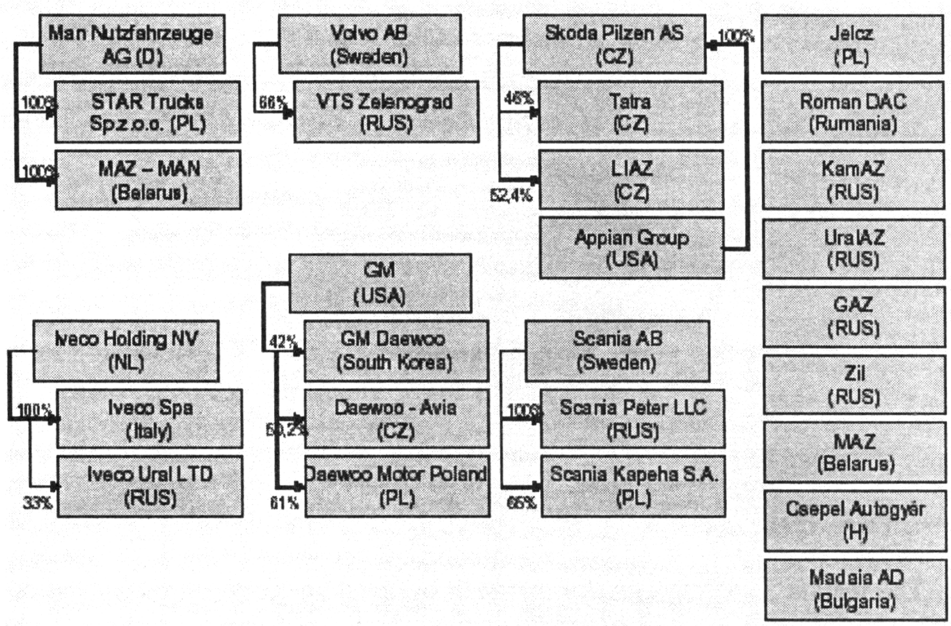

Fig. 3. Participation of international companies on domestic East European manufacturers in 2005

Source: [Juhász 2005, p. 8].

The newest technology standards, a high level of experience and the established domestic brands with their own distribution channels encourage the multinational manufacturing groups to further conquer East European customers.

5. Commercial Sector as "mobile future"

Eastern Europe is one of the most heterogenic regions of Europe, moreover it has become the economic force of EU. Supported by consumption and external trade the Middle and Eastern European countries keep on growing and the growth forecasts and the decreasing inflation rates make the region attractive for foreign investors. It is a chance for international companies to develop new markets and improve their own activities. For this improvement will be not only financial investments necessary, but also infrastructure and transportation improvement. This development should bring the desired momentum to the CV sector and strrengthen the manufacturer for the "mobile futre".

Due to growth in organizations and industry in Eastern Europe, in order to strengthin the competitiveness of the markets, goods trading will continue to increase and this growth will take place particularly in the road traffic. Prospects of market success and high profits will secure the competition within the CV market. One of the most important responsibilities for the Middle and East European countries is to provide the missing infrastructure and investment to complete the Trans-European road structure, which should not become a barrier to the European integration. For companies, necessary transportation and logistics can only work in the case of much improved standards in the infrastructure.

References

Gottschalk B., *Nutzfahrzeuge: Mobile Zukunft!*, Internationales Verkehrswesen, Band 56, Deutscher Verkehrsverlag, 2004.

Heymann E., *Auswirkungen der EU-Osterweiterung auf den europäischen Verkehrsmarkt*, Monitor EU-Erweiterung, Deutsche Bank Research, 2002.

Juhász A., *Go East – Herausforderung Osteuropa*, „Bremspunkt" 2005 nr 3.

Kelp R., *Strategische Entscheidungen der europäischen Lkw-Hersteller im internationalen Wettbewerb*, „Wirtschaft & Raum 2000, Bd. 6, München.

Porter M., *Wettbewerbsstrategien* – Methoden zur Analyse von Branchen und Konkurrenten, 9. Auflage, Frankfurt am Main 1997.

DYNAMIKA POPYTU I ZBYTU NA RYNKU POJAZDÓW UŻYTKOWYCH

Streszczenie

Rozwój Europy związany z poszerzeniem Unii Europejskiej przyniósł krajom Europy Wschodniej niezwykły wzrost produkcji i zbytu. Międzynarodowe przedsiębiorstwa wstępują na rynek wschodni, inwestując kapitał i powiększając konkurencję przez nowoczesne technologie i wieloletnie doświadczenie na światowych rynkach. Zwiększenie produkcji prawie automatycznie prowadzi do podwyższenia intensywności transportu a przez to do zwiększenia popytu na rynku pojazdów użytkowych.