



MARKET MEASUREMENTS OF WINE PRODUCTION IN THE SOUTHEAST REGION

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ABSTRACT

Wine production is one of the sectors in which there is a significant dynamics and relatively intense market competition. In the present study, an attempt to systematise some market dimensions of wine production enterprises in the Southeast planning region of Bulgaria is made. To achieve this goal, in a theoretical aspect, various indicators for measuring the performance of the studied enterprises on the market are considered. A preliminary selection of wine production enterprises located in the Southeast planning region is made, as a result of which information is derived from their financial and accounting documents. The analysis focuses on the period after 2010, taking into account the restrictions arising from access to the statements of enterprises.

Keywords: wine production; net sales revenue; wine market; market share.

INTRODUCTION

The aim of the present study is to analyse the market performance of wine production enterprises located in the Southeast planning region. To achieve the aim in the theoretical aspect, various metrics characterising the market position of the enterprise are considered. The data on the net sales revenue of wine producers are collected, summarised and presented graphically in three groups – small, medium and large enterprises. A coefficient analysis has been done, the results of which are synthesised in tabular form for the purpose of comparison among the studied enterprises. It includes an analysis on the volume of net sales revenue per employee and the distribution of market shares of enterprises for a year, hence the frequent change of market leader in this area is observed.

THERETICAL ASPECTS OF THE MARKET PERFORMANCE OF WINE PRODUCERS AND METHODOLOGY

The sales budget contains the basic information needed to draw up the budgets for production costs, costs of sales activities and

distribution and administrative costs (1). S. Petrova notes that the demand on the local market is the main key factor for choosing an assortment and increasing sales. The main indicators for sales revenue analysis are their absolute dimensions, relative changes, growth rates, etc. (2). I. Nikolova focuses on the profitability of sales, which expresses the effectiveness of marketing activities and affects the competitiveness of the product.

Another indicator widely used by Nikolova in the sales analysis is the market share of the enterprises (3). B. Marr notes that the degree of decrease or increase in the market volume is a key indicator of the expected sales level. The indicator of market volume growth represents a relative share of the market volume in the current period to the market volume in the previous period. If the indicator is lower than one, it means that the market volume is shrinking, and if it is higher – the market volume is growing. The main indicator of the market performance of wine producers is the market share and its varieties (4, 5). The volume of sales revenue per employee also helps to account for staff competences on sales volume (6).

The methodology of the study goes through several stages. The first stage includes a survey of wine producers' associations in order to

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form an initial sample of enterprises in the Southeast region. The members of the National Vine and Wine Chamber, the Southern Black Sea Association, Association “Southeast Thracian Regional Vine and Wine Chamber” and Register of Companies that have received certificates under the Wine and Spirit Drinks Act were studied. Subsequently, the scope of wine production enterprises has been narrowed due to the fact that some of the companies have ceased their activities and others are under the supervision of various state institutions. Also, some of the discontinued enterprises do not have the main activity wine production, but are focused on grape production or their activity subject includes in a small part grape production. Enterprises that have missing statements for more than 6 years are also excluded from the sample. The data

for the enterprises are generated by the papagal.bg search engine and by the commercial register. As a result of the information, a graphic analysis and an analysis of the sales per employee of the surveyed enterprises are made and information on the dynamics of the market shares of wine producers for the studied period 2010-2018 is presented.

EMPIRICAL STUDY OF WINE PRODUCERS IN THE SOUTHEAST REGION

The empirical study includes 19 wine production enterprises from the Southeast region, as the dynamics of their net sales revenues is presented sequentially in **Figure 1**, **Figure 2** and **Figure 3**.

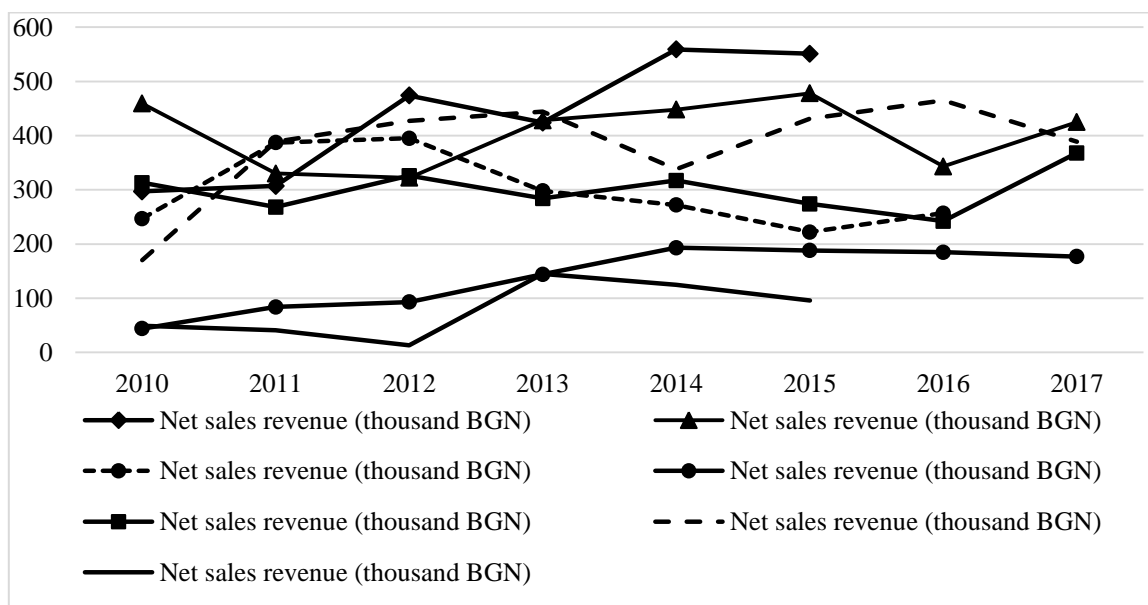


Figure 1. The dynamics of net sales revenue of enterprises from the Southeast region with a turnover of up to BGN 600 000 for the period 2010-2017

Source: Author's own calculations based on profit and loss accounts of enterprises

The analysis of **Figure 1** shows the dynamics of net sales revenue of relatively small-sized enterprises with a turnover per year up to BGN 600 000. As illustrated, Figure 1 includes seven enterprises. Most of them have a relatively constant amount of net sales revenue, which varies with small amplitude in the individual years. Only Vinaris' net sales revenue has declined since 2012. All other

enterprises alternate ups and downs, maintaining an average level between BGN 200 and 400 thousand. The Agrovin Winery has registered sales revenue growth since 2011. It should be noted that there are no declines and rises at the same time in the dynamics of all seven companies.

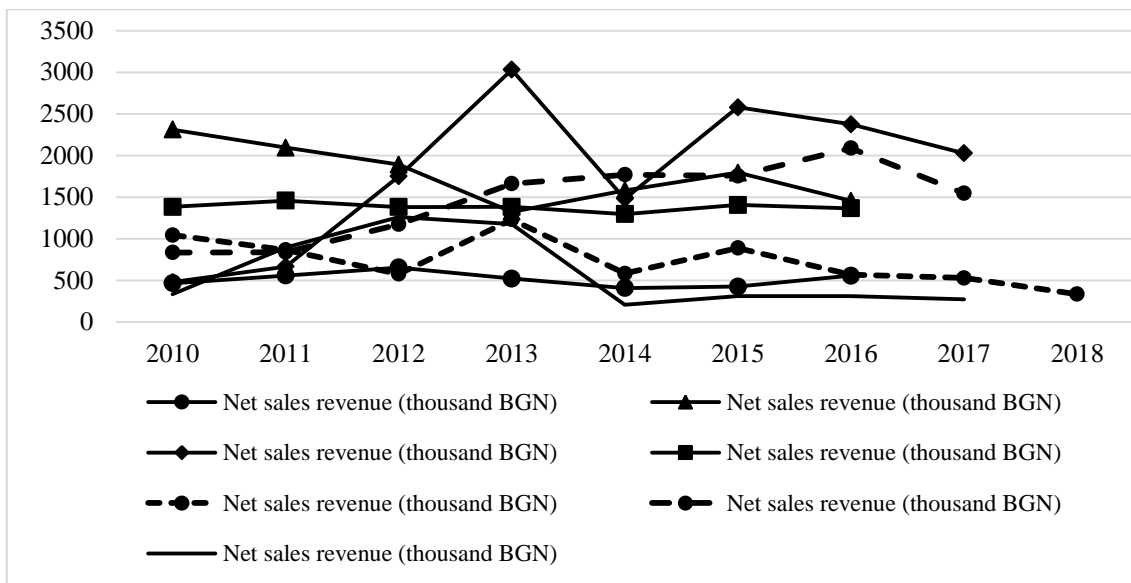


Figure 2. The dynamics of net sales revenue of enterprises from the Southeast region with a turnover of over BGN 600 000 to 3.5 million for the period 2010-2018
 Source: Author's own calculations based on profit and loss accounts of enterprises

Figure 2 shows the dynamics of sales revenue of the next group of enterprises, which have net sales revenue in the range over BGN 600 thousand to BGN 3.5 million. In contrast to the relatively calm sales at enterprises included in the group up to BGN 600 thousand, here there is a greater dynamics, as the peaks and decreases move with large amplitude. Four of the companies - Sakar Vineyards, BoyAr, Wine estate Santa Sarah and 3-ti April,

recorded a decline in net sales revenue for the studied period. At wine production enterprises - Novi Lozya-Elenovo and Vitis Agro, a slight increase in the amount of net sales revenue is registered. It can be said that medium-sized enterprises (according to sales volume) have difficulty in selling their products and have volatile or declining revenues.

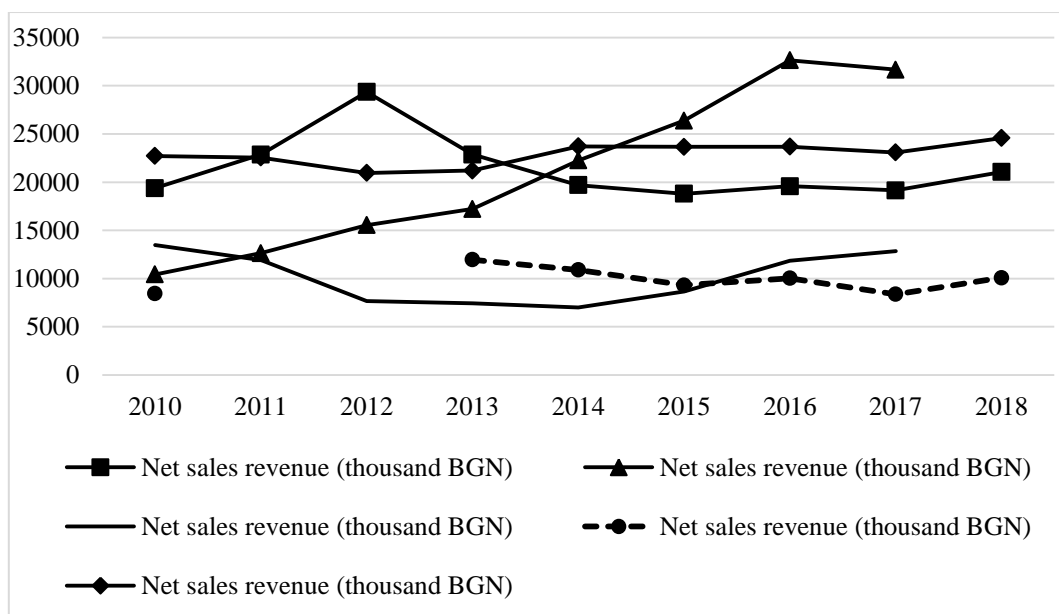


Figure 3. The dynamics of net sales revenue of enterprises from the Southeast region with a turnover of over BGN 5 million for the period 2010-2018
 Source: Author's own calculations based on profit and loss accounts of enterprises

Figure 3 shows the dynamics of net sales revenue of enterprises with a turnover of over BGN 5 million. As it can be seen, this group

includes five enterprises that are leaders in wine sales for the studied region during the period 2010-2018. During this period, most

companies have steady sales growth, as Vinex-Slavyanci peaked in 2012, followed by a decline and maintained a level of about 20 million net sales revenue. Domein Menada Winery, after a slight decline in 2011, was slowly regaining its position. The condition of Katarzina Estate is similar. The only company that developed rapidly during the study period was Villa Yambol. It is the successor of Vinprom Yambol and registered sales growth of about two times, with net sales revenue increasing from just over 10 million to over 30 million in 2016 and 2017.

The **Table 1** contains information on the amount of sales per employee of the respective enterprise. As it can be seen, two companies are leaders in terms of sales volume per employee. In 2010, 2011, 2013 the leader was Zemedelska Proizvoditelna Kooperatsiya 3-TI April, and during the other years – Villa Yambol. It should be noted that for the study period Zemedelska Proizvoditelna Kooperatsiya 3-TI April steadily reduced the volume of sales per employee, which fell about 20 times in the last year. The sales volume per employee in Villa Yambol is growing every year, increasing almost three times.

Table 1. The dynamics of sales per employee in wine production enterprises located in Southeast region for the period 2010 – 2018 (thousand BGN.)

		2010	2011	2012	2013	2014	2015	2016	2017	2018
Sales per employee (thousand BGN)	Agrovin OOD Sungurlare	74,25	61.4	47.4	35.33	34.94	30.61	n.a	n.a	n.a
	Belitza Vineyards	114,75	82.5	64.4	71.33	89.6	59.75	31.18	53.13	n.a
	Vinaris EOOD	20,58	24.19	35.91	37.25	68	55.5	85.67	n.a	n.a
	Vinarska izba 2002 Kableshkovo	11	21	18.6	24	27.57	31.33	30.83	29.5	n.a
	BoyAr Ltd.	21.14	26.57	38.47	34.8	27.13	25.06	37		n.a
	Vinarska izba "Malkata zvezda"	52.17	53.6	54.33	31.56	35.22	30.44	24.2	30.67	n.a
	Wine estate Santa-sarah	154.13	130.88	105.06	63.05	71.86	78	63.3	n.a	n.a
	Vinex-Slavyanci AD	88.07	103.94	149.06	116.64	108.82	119.8	126.28	113.95	118.33
	Villa Yambol	106.55	135.91	149.47	165.63	227.09	274.81	340.02	329.92	n.a
	Vitis Agro Ltd.	7.37	10.73	31.25	56.11	24.28	40.92	36.52	31.17	n.a
	Domein Menada Winery	141.82	125.49	65.49	65.73	73.67	106.96	150.03	146.2	n.a
	AC Hristo Botev	15.7	15.84	12.91	12.93	16.62	11.71	14.68	n.a	n.a
	Zemedelska Proizvoditelna Kooperatsiya 3-TI APRIL	208.8	173.2	144.25	246	83.29	98.67	18.9	17.63	11.17
	Katarzyna Estate	101.83	n.a	n.a	155.25	90.07	63.41	62.71	41.49	50.46
	Novi Lozya - Elenovo	36.26	32.27	39.13	50.36	57.06	62.68	80.35	61.88	n.a
	Sakar Vineyards EOOD	13.32	64.07	35.06	49	13.87	309	311	21	n.a
	Tohun Winery	21.25	64.83	85.4	88.8	56.33	71.83	93	77.8	n.a
	Black Sea Gold Pomorie	90.85	90.93	89.2	89.5	100.04	108.08	108.12	105.37	111.2
	Chateau Shivachevo Ltd.	3.77	3.15	0.62	7.25	6.25	4.8	n.a	n.a	n.a

Source: Author's own calculations

An increase in sales per employee can be reported at eight enterprises: Vinaris, Vinarska izba 2002 Kableshkovo, BoyAr Ltd, Vinex-

Slavyanci, Villa Yambol, Vitis Agro Ltd., Novi Lozya – Elenovo и Black Sea Gold - Pomorie. At the other enterprises, there is a

decline in sales per employee. Also, for the study period, it is not possible to clearly

indicate an enterprise that has sustainability in the amount of sales per employee.

Table 2. Dynamics of the market share in the wine production enterprises in the Southeast region for the period 2010 – 2018. (%)

		2010	2011	2012	2013	2014	2015	2016	2017	2018
Market share of enterprises for South-Istern region (%)	Agrovin OOD Sungurlare	0.36	0.39	0.56	0.46	0.60	0.56	n.a	n.a	n.a
	Belitza Vineyards	0.55	0.42	0.38	0.46	0.48	0.49	0.32	0.42	n.a
	Vinaris EOOD	0.30	0.49	0.47	0.32	0.29	0.23	0.24	n.a	n.a
	Vinarska izba 2002 Kableshkovo	0.05	0.11	0.11	0.15	0.21	0.19	0.17	0.18	n.a
	BoyAr Ltd.-Po	0.56	0.70	0.78	0.56	0.44	0.43	0.51	n.a	n.a
	Vinarska izba "Malkata zvezda"	0.38	0.34	0.39	0.30	0.34	0.28	0.22	0.36	n.a
	Wine estate Santa-sarah	2.79	2.65	2.24	1.42	1.70	1.83	1.35	n.a	n.a
	Vinex-Slavyanci AD	23.38	28.89	34.84	24.54	21.15	19.14	18.13	18.98	37.57
	Villa Yambol	12.60	15.97	18.45	18.49	23.89	26.85	30.23	31.40	n.a
	Vitis Agro Ltd.	0.58	0.84	2.08	3.25	1.59	2.62	2.20	2.01	n.a
	Domein Menada Winery	16.26	15.06	9.09	7.97	7.51	8.82	10.98	12.75	n.a
	AC Hristo Botev	1.67	1.84	1.64	1.48	1.39	1.43	1.26	n.a	n.a
	Zemedelska Proizvoditelna Kooperatsiya 3-TI APRIL	1.26	1.09	0.68	1.32	0.63	0.90	0.53	0.52	0.60
	Katarzyna Estate	10.20	n.a	n.a	12.83	11.70	9.49	9.29	8.31	18.00
	Novi Lozya - Elenovo	1.01	1.06	1.39	1.78	1.90	1.79	1.93	1.53	n.a
	Sakar Vineyards EOOD	0.40	1.13	1.50	1.26	0.22	0.31	0.29	0.27	n.a
	Tohun Winery	0.21	0.49	0.51	0.48	0.36	0.44	0.43	0.39	n.a
	Black Sea Gold Pomorie	27.40	28.49	24.87	22.77	25.46	24.09	21.93	22.88	43.83
	Chateau Shivachevo Ltd.	0.06	0.05	0.02	0.16	0.13	0.10	n.a	n.a	n.a

Source: Author's own calculations

Table 2 presents the dynamics of the market share in the wine production enterprises located in the Southeast region for the period 2010 – 2018. As it can be seen, there are three enterprises which challenge the position of sales revenue leader - Black Sea Gold – Pomorie, Vinex-Slavyanci AD и Villa Yambol (presented in Table 2 with grey cells). At the beginning of the study period, Vinex-

Slavyanci AD can stand out as a market leader, which for three consecutive years (2011, 2012 and 2013) was the head of the wine production enterprises in the Southeast region. After 2013, the company lost its position and gradually its market share decreased, as the difference between the highest and the lowest value for the studied period is over 15%, i.e. lost about half of its market share. After 2015, as a

market leader among wine producers from the Southeast region, Villa Yambol, taking first place in three consecutive years (2015-2017), stood out. It can be assumed that during this period, the positions lost by Vinex-Slavyanci AD amounting to more than 15%, passed to Villa Yambol, where the market share for the period 2010-2018 increased almost 3 times (from 12.60% to 31.40%). Black Sea Gold Pomorie maintained almost the same market share throughout the study period, with amplitude over the years is less than 5%. When the market leaders Vinex-Slavyanci AD and Villa Yambol change, Black Sea Gold Pomorie sporadically ranks first with no increasing or decreasing trend. The company is a market leader in 2010, 2014 and 2015.

CONCLUSIONS

The analysis shows that:

- In the Southeast planning region, there is a relatively good structure of wine production enterprise, and depending on the volume of their net sales revenue, it can be structured enterprises with a turnover of: up to BGN 600 thousand; from over BGN 600 thousand to 3.5 million and over BGN 5 million.
- The volume of net sales revenue per employee is a very dynamic indicator that takes into account the role of employee in an enterprise.
- In the Southeast planning region, three leading enterprises stand out, which for the study nine-year period occupy leading positions.

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