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Analysis of the spirits industry and competition in Croatia

Abstract

The purpose of this paper is to search the role that competition plays in defining the spirits market in Croatia. In this paper main rivals, their strategies, goals, strengths and weaknesses are analyzed. There are ten home-based producers of spirits on the Croatian market. Badel 1862 is at the leading position.

Apart from Croatian and foreign literature, the author has also used the results of a few recent studies for the purposes of this study. He also used unsystematical data which he found in different government institutions. All data have been presented in a coherent and systematic way. Research has been conducted on field using the method of polling 21 respondents which deal with wholesale of spirits in Croatia. The main hypothesis of this work is that the increasing competition of imported spirits costitutes the main threat on the Croatian market. Alongside with the main hypothesis in this work, 3 supporting hypotheses have also been tested.

The first supporting hypothesis is that the competition of Croatian producers in the home-market has remained unchanged in the last few years. The second supporting hypothesis is that the main weakness of home-based spirits producers is not having global brands and their concentration on the local market. The third is that the main factors of success on the spirits market are strong marketing and accessibility of products on market. The research conducted has shown that the part of imported spirits will grow in consumption of spirits in Croatia, which will make the competition threat even worse.

The presence of foreign imported brands constitutes a threat for home-based industry of spirits in terms of price and consumption competition, and range compatibility that suits the demands of modern consumers. With almost unchanged rivalry and possession of global brands, home-based producers are mostly focused on the local market, which represents their main weakness. The researches have shown that the most important factors of success on the Croatian spirits market are marketing-support and accessibility of products on the market.

Keywords: spirits, the Croatian market, main competitors, analysis of spirits industry.
JEL Classification: L66, M31.

Introduction

In order to succeed today's companies have to continuously analyze and study their buyers, as well as their competitors (Kotler, 2001). The most efficient economic entity will be the one which optimally combines focusing on that two, most important market subjects, buyer and competitor. Given that the Croatian market of spirits shows signs of impressive dynamics, ambition of this paper is to exactly study and analyze all significant market competitors in Croatia.

In the Croatian market national production is under a big pressure, and it is stagnating, but, on the other hand, import is growing. Croatian market of spirits had the total of 12,425.000 liters in 2005. That represents 70% of quantitative placements by comparison with 1995. In the period from 1995 to 2005 national production decreased for 42%, and import increased for 56% (Croatian Interest Union of Beverage Manufacturers and Croatian Central Bureau of Statistics). Mentioned changes point to resemblance with consumption trends in the world, where consummation of more expensive and quality spirits is increased, namely with the older age groups who are led with health concern (Moschis and Bellenger, 2007).

In this paper strengths and weaknesses, strategies and aims of all big players are analyzed and studied in a studious and detailed way. Based on harvested discoveries, as the results of primary and secondary researches, conclusion and most optimal proposed solutions are carried out.

The analysis of spirits industry and leading competitors in Croatia represents the main issues that can be analyzed from different points of view. The issues can be observed from the side of producers, local dealers, and traders. The author approached this theme mostly from the aspect of the producer or bidder, wholesalers of spirits.

Companies that want to be successful in the long term must create and successfully run the system which will continuously gather information about their important competitors (Fuld, 1995).

Analyzing the competitive companies, managers have the opportunity, based on the comparison, to constantly and positively influence weaknesses and intensify the strengths of their companies. Every analysis has to result in improvement and progress. Unless there are activities after analysis, analysis by itself is pointless and represents only expense.

For the purpose of secondary research, along with domestic and foreign literature, results of some recent studies will also be used. As there are brand new nonsystematic data that are gathered from different sources we've used them for the analysis as well. The author used the method of questionnaire for the primary research. The sample was selected using intentional method, and it consisted of 21 companies involved in wholesale trade of spirits in Croatia.

1. The analysis of industry and competitors

The attractiveness, or perhaps the attraction of the specific market business practice mostly depends upon five strengths, which are defined by Michael Porter, well-known Harvard professor. These five strengths are: competitors within the industry, potential new competitors, substitutes, buyers and suppliers (Porter, 1980). Intensity, relations and mutual interaction of these strengths lead to five threats. The first threat of tense rivalry is on the level of segment. Specific segment or market isn't attractive if there are a large number of strong and aggressive competitors; its attraction falls when the segment is stable or in falling. Its attraction keeps falling if the overheads are high, or if the output barriers are high. The second threat is new competitors, and the attraction of a market depends on the level of input and output barriers.

The most unattractive market is the one in which the input barriers are low, and the output barriers are high. The most attractive market from the aspect of threats from new competitors is the market with high input barriers, and low level of output barriers. Threats of substitutes are large if there is a possibility of products substitution. Substitutes make the market less attractive, or even unattractive, since they limit the level of price, as well as the level of profit. These three threats have their sources exclusively in competition. The other two threats are based on increasing negotiating ability of buyers and suppliers. The market loses its own attractiveness if the buyers have high ability of bargaining, if they are well organized and concentrated. They become a big threat for sellers when the costs are low, they change over to a new supplier when there isn't any differentiation of products. Negotiation ability of the suppliers is big when they can easily raise prices, when they are well organized and integrated. Suppliers are a threat when there aren't many substitutes, and if they are, they represent large expenses for the buyers. The possibility of their vertical integration onward also presents unfortunate negotiation position for the buyers.

In general, today's conditions of earning are characterized by highly competitive markets. Markets in which it's essential not only to gather and collect information about competitor continuously but also to take care of buyers. If we want to be effective in marketing planning, we have to constantly compare elements of our marketing mix (products, prices, marketing channel, and methods of promotion) with those of our competitors. Results of that comparison have to be the foundation for continuous analysis of our advantages and imperfections in relation with the competitors. That is the only way to counteract our competitors successfuly. Every company has to have balanced orientation towards the buyers and competitors. With efficiently integrated marketing information system, company must access the most important information about competitors. Above all it is important to know: who are the most important competitors, what are their goals and strategy, what are their advantages and disadvantages.

In today's conditions of globalization, it is crucial to gather information about national, as well as foreign competitors. Many times the breach of multinational companies is just unstoppable, as well as performance of their global marketing strategies (Levitt, 1983).

Researches show that beer, wine and spirits belong to the group of products which marketing strategies show standardization potential (Meffert). By that the threat of foreign competitors is very high in case of spirits.

1.1. Analysis of spirits industry in Croatia. Industry is a group of companies that offer products or type of products that are close substitutes for one another (Kotler, 2001).

Often industries in the literature are classified in accordance with the following features: number of sellers, degree of product differentiation, presence or lack of input, output, adjustment or barriers of reduction, degree of globalization and vertical integration, structure of expenses.

Croatian spirits industry, in the last ten years, is characterized by various and fast changes: from changing legislation, penetration of strong imported brands, changes of habits and preference of consumers, arrival of foreign chain stores, assembling of the national segment retail channel to development of new products.

If we wanted to analyze the spirits industry, first of all we would have to look back at the number of sellers and the differentiation of spirits. This industry is characterized by a large number of competitors in the world and in Croatia, who offer differentiated products. Bidders are mostly focused on the segments of the market which ensure the largest profits. Spirits market represents a type of monopolistic competition (Kotler, 2001).

Patents and licenses are very important for success in spirits industry. They provide possibility of spirits placement on the market, because differentiation and branding are crucial for success.

Good sources of raw material, distributors and reputation in addition to already mentioned patents and licenses represent one of the most often input barriers into spirits industry. On the other hand, the most common output barriers are: responsibility towards creditors and employees, high vertical integration and inability of alternative solutions.

Big tax loadings of the spirits producers in Croatia (1994 excises to the total of 30 KN per liter a/a (Official Gazette No. 51/94); 2001 excises rise up to the amount of 60 KN per liter a/a (Official Gazette No. 67/01)) have a significant unfavorable effect on expenditure structure and the liquidity of this industry. That represents a big influence of Croatia on spirits industry, and that kind of government control is common in the world (Cook and Moore, 2000, p. 9). The purpose of taxes is not only to fund government budgets but also to regulate society and manage cultural unity (Smith and Mitry, 2006).

In 2003 a new law forbidding spirits advertising was established. That complicated, and almost made impossible to communicate with the target group of customers. But on the other hand, in 2003, the alcohol beverage industry spent more than $ 1.6 billion on advertising around the world. So different forms of promotion in retail (Mulhern and Padgett, 1995) in Croatia, and in the world too, present the most often form of communication with the consumers.

A year later, in 2004, there was another enactment about 0,0 promille, that called upon consumers not to devour spirits for their safety in traffic. In 2006 the bill about packaging, and package waste followed which also burdened spirit producers.

All previously mentioned basically determines the expenditure structure of this industry which is characterized by high tax expenses, high expenses of distribution and expensive trade marketing.

Vertical integration is an often strategic phenomenon (Dixit, 1983) which we come across the spirits industry, and so far it's been backwards. But, strengthening negotiating position of the wholesaler and the retailer, it occurs when vertical integration moves forward. This phenomenon of the world market is slowly carried over to our region. Along with all the expenditure advantages which vertical integration brings along, sometimes it can cause the lack of flexibility, as well as disability of decreasing large expenses in the spirits industry.

The growth of multinational and transnational corporate enterprises is powerful force for global convergence of values and behaviors (Bartlett and Ghoshall, 1991).

In the world spirits market several multinational companies dominate, which indicates that it is highly globalized with all the advantages that it brings along savings concerning economies of scale. The effects of globalization are slowly transmitted into our region as well, because foreign multinational companies directly or indirectly operate in Croatian market.

The next facts support this claim, since Croatian spirits market ran up to 12.450,000 liters in 2005, which was 70% of quantities placement in relation to 1995, along with national production which was nearly bisected (national production 2005/1995 index 58), and import in that ten years rapidly grew for over 50% (import 2005/1995 index 156*)* (Croatian Interest Union of Beverage Manufacturers and Croatian Central Bureau of Statistics*)*. This process leads to the change in consumption trends on Croatian spirits market. So a downfall of market shares of traditional drinks is felt on the world market too (Smith and Solgaard, 2000).

One of big problems in the spirits market in Croatia is counterfeit, illegally placing spirits that aren't tax registered in the market. The lack of legislation causes illegal and uncontrolled placement of products by their cheap prices and it represents unbalanced competition on the market.

In the Croatian market there are 10 national producers of spirits. Badel 1862 has the leading position in our market.

Presence of foreign imported brands constitutes a threat to national industry of spirits in terms of price and expense competitiveness, assortment adjustment to demands of a modern consumer, and on the other hand, tendency of consumers towards imported brands.

The structure of the distribution channel is changing, especially in retail. The importance of distribution channel control, and marketing investments in distribution channels are crucial for success in the market, and for the particular brand creation (Bell and Dreze, 2002).

Changes in consumers' habits, healthcare, and preference of foreign imported brands and price sensibility of the consumers are the main characteristics of spirits markets.

2. Research

2.1. Methodology. The purpose of this paper is to explore the role that competition plays in determining attractiveness of the spirits markets in Croatia. The paper will elaborate the main competitors, their strategies, goals, strengths and weaknesses of the major spirits market players. Knowledge of competitors is very important for the successful marketing managing, and for the successful conduct of the overall business.

Regarding the research goals set up, the author used secondary data in comparative analysis of the observed phenomenon on the European and world markets. Exploratory research was conducted in Croatia, and as a measuring instrument a questionnaire was used.

At the same time basis examining was performed in 21 companies involved in trade of spirits, retail or wholesale, in Croatian market. Sample was purposely selected, and questionnaire was filled by managers in supplying economic entities which we intentionally selected as well.

Regarding the structure of the sample, we drafted the sample in the way that 60% of companies come out of retail and 40% of wholesales. Wholesalers are mostly supplied by distribution channel HoReCa (hotels, restaurants, cafe). Because the structure is a very important factor of intentional selection of the sample, we created a similar structure concerning the relative share of the distribution channel in overall sales of spirits in Croatia. In conducting the primary research we used the experiences of similar researches performed abroad.

Questionnaire was structured such that it had reserved dichotomy or multiple choice questions. In the questionnaire we placed filter questions so we could have a differentiation of the target group. Question compaction in the questionnaire was high.

2.2. Research hypotheses. To achieve the goals of the research one main hypothesis and three supporting ones were set up.

The main hypothesis says:

H1: Imported spirits growing in the structure of consumption represents the main threat of new competitors in the Croatian spirits market.

Supporting hypotheses are:

H1: Competitiveness in the spirits market between leading national market players in the past few years stays nearly unmodified.
H2: The main weaknesses of the national market players are non-possession of the global trends, and their concentration in local markets.
H3: Marketing support and product accessibility in the market are the most important factors of success among competitors in the spirits market.

2.3. Results of research. *2.3.1. Spirits market in Croatia*. The following categories are counted in the spirits market:

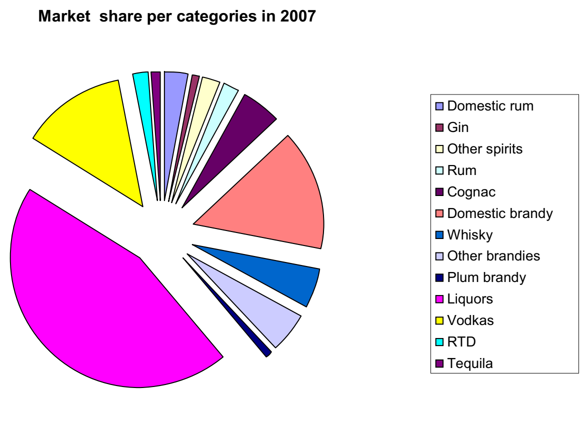
- Whisky;
- Wine brandies;
- Fruit and other brandies (schnapps);
- Domestic brandy;
- Liquors;
- Vodka;
- Rum;
- Gin;
- Tequila;
- RTD (ready to drink).

Considering the spirits market at European level, Croatia takes up 0,3% of the European volume market (Datamonitor). In comparison with the mature and regulated markets of European countries, Croatia shows a low level of consumption per capita. In connection with that it should be taken into account that, unlike European countries, Croatia has been characterized by a low level of registered consumption, while the actual consumption is estimated as being significantly higher. It is clear that spirit consumption per capita in Croatia is far stronger that negatively reflects on the society. Undeniable fact is that over consuming of spirits burdens society with severe expenses, namely the expenses associated with health care (Fogarty, 2006).

Table 1. Spirits consumption per capita in 2007 (Datamonitor)

Croatia	2,9 liters
Germany	6, liters
France	5,1 liters
Hungary	5,6 liters

Registered size of the Croatian spirits market in J/O 2007 was 9.475,000 thousand liters (Croatian Interest Union of Beverage Manufacturers – GIUPP and Central Bureau of Statistics, 2007), out of which 69,7% is domestic production, and 30,3% is import.



Source: GIUPP and Central Bureau of Statistics.
Fig. 1. Market share per categories in 2007

Liquors – the dominate category with 41,5% share in total market. Out of that 73% is domestic production, and the rest is import. Within the liquors category the bitter liquors have maximum significance in respect to sweet liquors. It is estimated that the growth stagnation will gradually occur for bitter liquors, whilst the sweet and cream liquors will continue to increase.

Vodkas – have 11% share of the market. Out of that 86% are domestic production, and the rest is import. The further expansion is expected for this category in the following years. The brand and the design are extremely important for this category, and the changes in this category are most dynamic.

Other brandies – a specific category with a significant share in total market. Overall market of this category is significantly larger, considering that we are speaking of registered sale, and the considerable share of the unregistered production and consumption is not taken into account (consumption of domestic brandies is 43%) (Gfk, March 2007).

Herb brandy and grape brandy (Komovica) are dominating within the category, whilst the other fruit brandies such as William's have significantly smaller share.

Šljivovica (plum brandy) – has insignificant share within the total market of alcoholic drinks, even though, it is very important as authentic and specific category with the increasing trend.

Domestic brandy – formerly the dominate category, with a continuous decrease under the influence of the consummation preference changes, the negative perception of the younger consumers towards the drinks of this category and lesser number of existing loyal consumers.

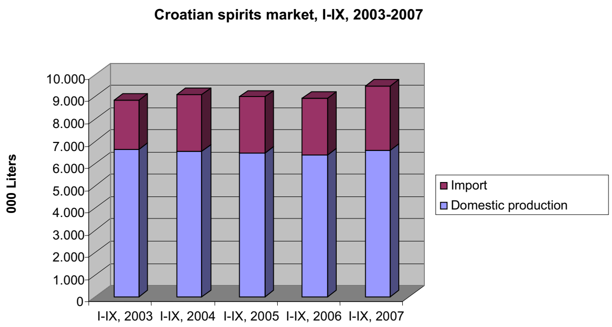
Whisky – a category that has 5,3% share of total market of alcoholic drinks with a constant growth trend.

Cognac – has 5,2% share of total market, but the growth trend is decreasing. For the almost same reasons as the domestic brandy, it is estimated that this category will continue to have the negative growth trend.

Tequila – has very insignificant share within the total market of alcoholic drinks, but this is the category with the biggest growth rate (for the period of 2005-2006).

RTD (ready to drink) – are trendy drinks. It is estimated that these drinks have a "life span" of 3 to 5 years, they are gradually and surely loosing their importance on the spirits market.

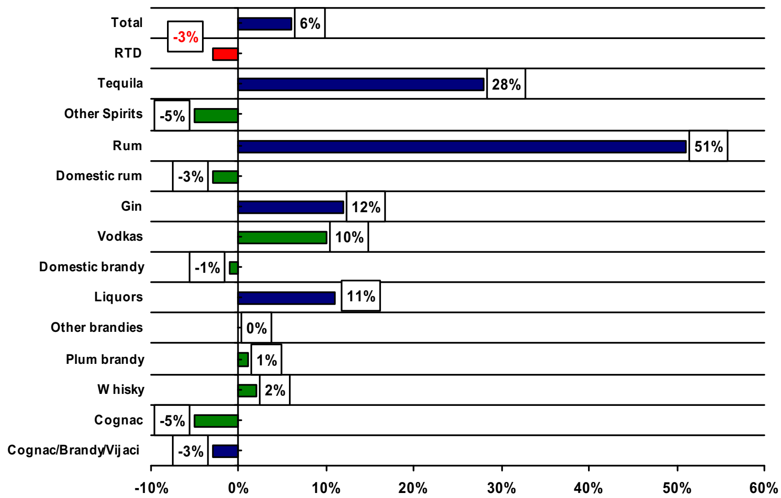
Other spirits – including gin and rum, have 9,2% of total spirits market. Gin and white rum are the categories showing a significant growth trend, they are trendy categories, whilst for the domestic rum there are no expectations of significant increase, only maintaining the existing consumption.



Source: The author's calculations based on data from Croatian Interest Union of Beverage Manufacturers and Central Bureau of Statistics.

Fig. 2. Croatian spirits market, I-IX, 2003-2007

Croatian spirits market is characterized by a slight growth prior to market liberalization, and constant increase of imported product placement in the Croatian market. National production of spirits is stagnating. Negative trend of national production growth is caused by politics of high excises and high producers prices. Appropriations of spirits are extremely high which simulative affects counterfeits and expansion of home production as well.



Source: The author's calculations based on data from Croatian Interest Union of Beverage Manufacturers and Central Bureau of Statistics.

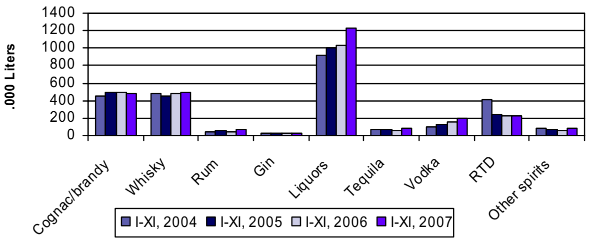
Fig. 3. Annual decreasing/increasing rate of spirits categories in the Croatian market I-IX, 2007-2006

Within the categories of spirits there is a continuing change in the structure; groups of products like home brandy, cognac and whisky, so called brown drinks, lose their status in the structure, while categories of liquors, vodkas and plum brandy grow. The highest rate of growth is reached in white imported drinks (tequila and gin) and plum brandy, in the period of 2002 to 2005 (Croatian Interest Union of Beverage Manufacturers and Central Bureau of Statistics).

Researches conducted in Great Britain in the period from 1992 to 1996 (Fearne, Donaldson and Norminton, 1999) also show the largest growth of vodkas and gin categories.

The earlier research shows evidence of the similarities in drinking habits (Alcoholic Beverages and European Society, 1993).

2.3.2. Import and export. Slight progress of spirits markets prior refers to import. Although in the past three consecutive years there exists a slight increase of imported products, we can anticipate the continuous growth of imported competition. On the one hand, we have growing import of products that don't have a well-known brand, but from the price aspect they represent a big threat. On the other hand, consumers are also seeking out authentic brands that are noticed in the world as well (Thompson, 1999; Fine, 2003). Well-known imported brands with large marketing investments attract the consumers and generate their loyalty.

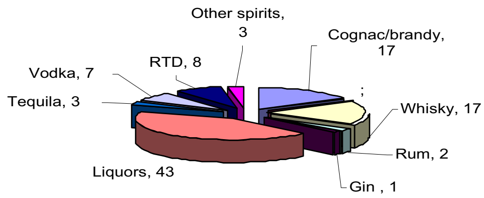


Source: The author's calculations based on data from GIUPP and Central Bureau of Statistics.

Fig. 4. Movement of imported spirits categories, I-IX, 2004-2007

In Europe, premium segments in spirits market have passed through the biggest development in relation to other types of drinks. Premium segment gradually started to develop in Croatia too and specially through well known foreign brands where the value of the product is enhanced by marketing investments. The multinational companies know that strong global brands are the key to winning international consumers and they also realize how to compete for consumers around the globe (Barron, J. and Hollingshead, J., 2004). Consumers gradually change their habits, ever more healthcare and health preservation motivate them to drink less, but the quality and the desire to have a complete feeling of pleasure, from visual to their own prestige experience and the positive feeling, influence their health.

Consumers become more sophisticated, and the culture of drinking becomes ostentatious. It's evermore important to ensure the drink selection for the consumers that are aligned with their lifestyle and ambition. Drinks that suit particular event are selected, and situations where spirits till recently dominated gradually become replaced with other types of drinks. Beer and wine are the main indirect competitors, substitutes, for spirits. With strong campaigns, products diversification and possibility of advertising they take away a significant part of potential consumers.



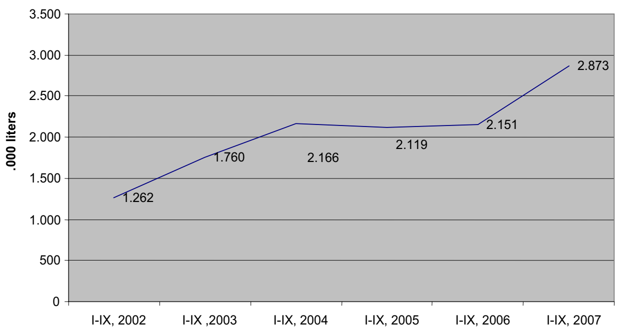
Source: The author's calculations based on data from Central Bureau of Statistics.

Fig. 5. Structure of import by categories, I-IX, 2007

In 2005 entirely 2.924,000 liters of imported drinks were realized (Central Bureau of Statistics).

But, although import continuously rises, we can notice, that in three past years it came to a period of stabilization.

Till 2004 import had an extreme trend of rise. Since 2004 it's stagnating. The most familiar imported brands appeared in the Croatian market till 2004 along with graduate marketing investment and expanding of distribution positioned on the national market and became accepted by the important segment of spirits consumers – young consumers. Normally, we can say that in Croatia young consumers prefer imported brands.

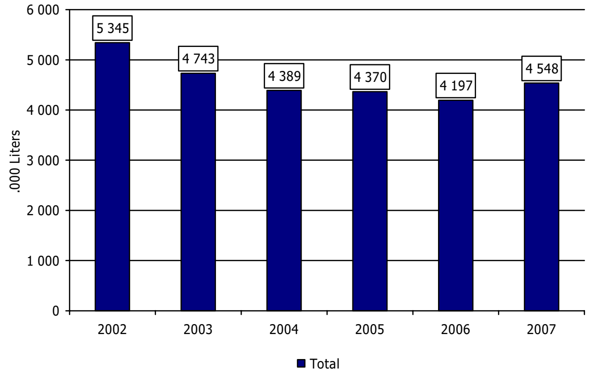


Source: The author's calculations based on data from Central Bureau of Statistics.

Fig. 6. Import of spirits in Croatia, I-IX, 2002-2007

Exceptional trend of import growth is marked in 2007 in relation to 2006. Taking that in mind, import competition is a big threat to national production, thus we have proved the main hypothesis H1. It says: The imported drinks which grow ever more in consumption structure represent the main threat of new competitors in Croatian spirits market.

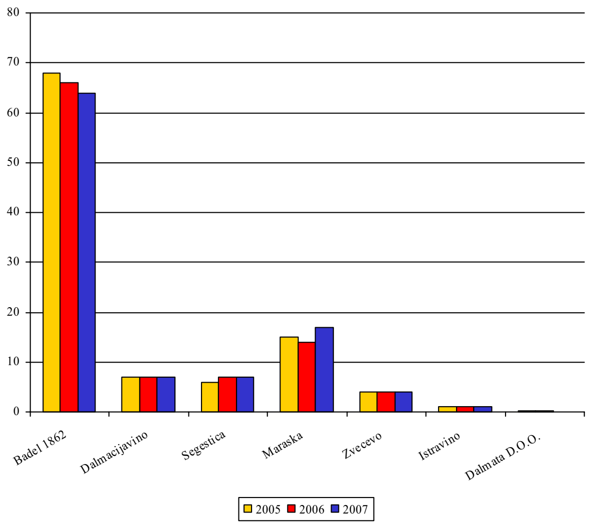
Export of spirits from Croatia is decreasing in the last few years, and stagnation is specially expressed in the period from 2002 to 2006. Exceptional negative trend which occurred in exports has been stopped in 2007 successfully. In that year we mark a rise of export from 8% in relation to previous year.



Source: The author's calculations based on data from Economic Interest Union of Drinks Manufacturers.

Fig. 7. Movement of the spirits placement domestic producers on export market

Croatian spirits producers are confronted with the threat of stronger competition in the national market, prior generated by import of global brands; in 2007 they try to find the solution for their piled problems in export of their goods.

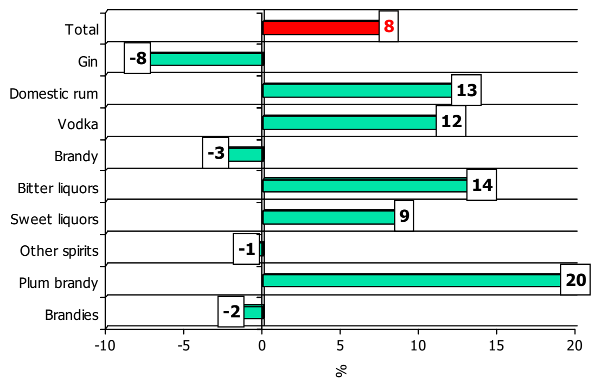


Source: The author's calculations based on data from Economic Interest Union of Drinks Manufacturers.

Fig. 8. Market share domestic producers towards exports markets

The main part of Croatian producer's exports is focused to the region of former Yugoslavia. In comparison to Croatian market, that market is still developing with lower expenses of sales and marketing.

More than 50% of overall Croatian spirits export is generated on the part of Badel 1862. The latest researches show that even the largest exporter Badel 1862 is easily backing down. Its export is slightly stagnating in the past few years. Maraska is the second exporter by size. Maraska with its export is incomparably inferior to Badel 1862. In 2007 in relation to previous years Maraska marks trend of slight but still not sufficient increase of export.

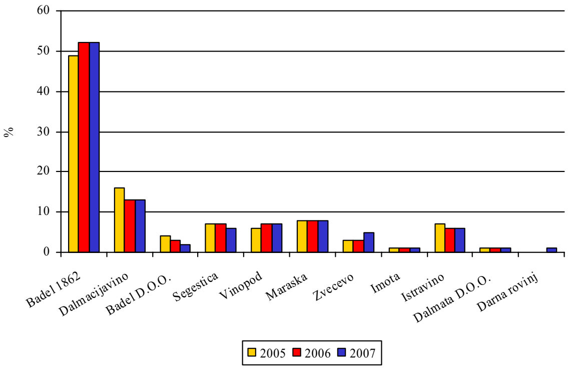


Source: The author's calculations based on data from Economic Interest Union of Drink Manufacturers.

Fig. 9. Rate of decrease/increase placement of domestic producers by groups of products towards export markets

Analyzing the structure of exported product we come to the conclusion that the export is prior generated by the growth of export of plum brandy, bitter liquors, vodkas, and home rum. The same groups of products mark a significant increase in national market. In export structure there is a fall with brandy and cognac, showing the same trends of fall as on the Croatian market. From everything previously mentioned it is clear that the trends from Croatian market are transmitted to the markets of the region, the markets of former Yugoslavia countries. It shows that of the four *P*s product and promotion of spirits beverages are the most frequently standardized (Boddewyn and Grosse, 1995).

2.3.3. Competitiveness in the spirits market. There are 10 active producers of spirits in the Republic of Croatia, among which Badel 1862 d.d. is with 41% of market share. Among the domestic producers of spirits, and considering the difficulties in their business, their market share, the level of famousness of their brands, overall business results, we dare to say that Badel 1862 d.d. doesn't have any serious threatening competitors among the domestic producers. On the other hand, the most famous brands and competitors are coming from abroad (imported products).



Source: The author's calculations based on data from Economic Interest Union of Drink Manufacturers.

Fig. 10. Market share of 10 largest domestic producers in the national market

Badel 1862 is the market leader in the spirits market. According to the placement (Economic Interest Union of Drinks Manufacturers) it has a 54% market share, whilst according to consumption 41% (only domestic production). Besides being a producer, Badel 1862 is importer of leading world brands such as Bacardi, Martini, cognac Otard, Sierra Tequila, Dewar's and Stock '84. Its major advantages are long year tradition of producing well-known brands such as Vigor, Prima Brandy, Gorki Pelinkovac, Stock '84; excellent distribution in different sale channels; product development; significant marketing investing in brands. The weaknesses are slower following of trends and price positioning.

Dalmacijavino is a second leading producer of spirits, it has 13% of market share, when import includs 12,2%. The major advantages of this producer are: well-known brand Amaro 18, being a strong domicile producer, whilst its weaknesses are a possibility of loosing license agreement for Amaro 18, and non-existence of a famous brand in alcoholic drinks.

Maraska has achieved, in the first nine months of 2006, 8% of the market in comparison with domestic producers, whilst compared to import it has 6% of market share. According to the data from A.C. Nielsen Maraska has achieved an increase of market share.

Maraska's advantages are that it is a strong domicile producer, a preferred producer in categories of plum brandy and sweet liquors, and it has a well developed quality image.

On the other hand, it is not achieving expansion and modernization of products and has a status/character of a local producer.

Segestica in total has 6% of market share according to Economic Interest Union of Drinks Manufacturers, and according to A.C. Nielsen, 5,5%. The advantages of this producer are a well known brand Trojka in vodka category especially in certain Croatian regions, its own production of base material for production of spirits, whilst its weaknesses are ownership structure, no further development in production portfolio and obsoleteness of production program.

Vinoplod in total has 7% of market share according to Economic Interest Union of Drinks Manufacturers, and according to A.C. Nielsen 6,2% (in comparison with the same period of last year Vinoplod has achieved increase in market share). Major advantages of Vinoplod are that it is the preferred producer of Travarica and Loza (komovica) on domestic market, significant presence in the HoReCa channel, whilst its weaknesses are lesser presence (coverage) of the Retail channel and insignificant investing in marketing.

Mast Jägermeisster AG – market share of Jagermeister is 3,6% (A.C. Nielsen, 2006). According to the Central Bureau of Statistics, in the nine months of 2006 704.000 liters have been imported; it has a continuous growth trend. The advantages of the product are well-built image, good marketing support, well accepted by younger consumers, presence in both Retail and HoReCa channel. The weakness is the price positioning.

From the previous analysis, we can conclude that in the past few years significant changes in market shares between leading Badel 1862 and other competitors don't exist. By that we prove previously set supporting hypothesis H1 which says: Competitiveness on the spirits market between leading market players in the past few years stays almost unmodified.

2.3.4. Evaluation of strengths and weaknesses of the competitors. Modern economic entities in the focus of their interest have competitors who produce the same products as they are. It represents the industrial approach. Companies satisfying consumers' needs also have to be the subject of their interest. This way of seeing it characterizes the market approach which together with the industrial approach gives an overall ability of analyzing the competition (Kotler, 2001). For the purpose of detailed analysis of the spirits market in Croatia we have made a chart of a battle field of products/competitors (Table 2).

Table 2. Chart of the battle field of spirits products/markets. Segmentation of the buyers

Product segmentation	Sales center Zagreb	Sales center Osijek	Sales center Rijeka	Sales center Split
Domestic brandy	Badel 1862 Zvečevo	Zvečevo Badel 1862	Badel 1862 Zvečevo	Badel 1862 Zvečevo
Bitter liquors	Badel 1862 Jaegermeister	Dalmacijavino Badel 1862	Badel 1862 Dalmacijavino	Badel 1862 Zvečevo
Vodkas	Badel 1862 Segestica	Dalmacijavino Badel 1862	Segestica Badel 1862	Dalmacijavino Badel 1862
Brandies	Vinoplod Badel 1862	Vinoplod Dalmacijavino	Vinoplod Badel 1862	Vinoplod Badel 1862

Source: Research of the author.

At product segmentation we included the most significant spirits groups in the analysis. Groups, which sale together, rise up to 80% of the entire sales of alcoholic drinks on Croatian market. When we talk about consumers, we believe that the best method for them is segmentation according to geographical principle and not to their age, because of local preferences when selecting spirit products. The author thinks that the segmentation of consumers towards location or geographical position reflects the real situation in the market in the most realistic way. The chart of the battlefield shows sixteen segments. Fifteen segments are occupied by Badel 1862, which demonstrates that Badel 1862 is the only market player who skipped the obstacle of local preferences with its products. Every other market player has one brand as a favorite that is successful in the whole market, while they are, with the other products, mostly oriented to local markets. Precisely that represents their biggest weaknesses, and by that we prove supporting hypothesis H2 which says: The main weakness of national market player is non-possession of global brands and their concentration on local markets.

By entering a segment it's essential that every newcomer evaluates the size of the market of a desirable segment, shares of competitors in that market, possibilities of the competitors, their goals, strategies, input and output barriers for each segment (Harrigan, 1980).

The biggest market segment represents bitter liquors – sales center Zagreb. In this segment the strongest market players compete, and the segment has the constant tendency to grow. Arrival in this segment is definitely the toughest and the most expensive. The easiest entrance for the newcomers represents the segment of brandy – sales centre Rijeka. Brandy asserts oneself in the world, and in Croatia. Sales center Rijeka represents the market with the least local preferences, and that's also the easiest way into that market.

Table 3. Ranking of the competitors from the side of buyers towards factors of success

	Buyer awareness	Product quality	Product accessibility	Marketing support	Sales staff
Competitor A	E	V	E	E	V
Competitor B	V	E	G	G	E
Competitor C	V	G	S	S	G
Competitor D	G	G	E	E	G
Competitor E	G	G	S	S	G

Note: E = excellent, V = very good, G = good, S = sufficient.
Source: Research of the author.

Economic entity that wants to be successful in the market constantly has to collect information not only about consumer's needs, but also about strengths and weaknesses of their competitors. The most important information about competitors businesses that must be gathered is: level of sales, market share, rate of profit, money flow, investment return, new investment, level of the marketing budget, structure of expenses, etc.

Economic entities most often get information about their competitors secondary data, personal experience, based on presumption or in some other ways (Fuld, 1998).

To improve their knowledge about competitors companies can conduct primary marketing research with buyers, suppliers and dealers. One of the primary researches was performed in this paper in the spirits market in Croatia. The research was conducted with 21 buyers, and tied to five strongest competitors in the spirits market. Before the main research run by questionnaires, preresearch action was run, to define the main factors of success in spirits market in Croatia. Professional consultation was performed with the experts from scientific institutions, as well as economy experts.

Table 3 presents the results of researches. Analyzing the competitor A we came to the conclusion that it is the strongest competitor who is ranked by buyers as excellent or very good in almost every aspect of research. His strongest features are: awareness on the market, product accessibility and marketing support. But the quality of the product, and the staff are graded as well with the high mark 'very good'. Competitor A most definitely hasn't any weaknesses towards these factors of success, and it's not recommendable to attack.

Competitor B presents a strong market player, who has a great product, great staff, and the awareness of the buyers is very good. The only chance to attack is product accessibility and marketing support which are rated as good. That could indicate that this competitor's only problem is with distribution. Chance for attack at competitor C is badly evaluated marketing support and bad accessibility of products. The opportunity for attack is competitor D, especially when it's about average quality of products, average staff and average buyers awareness. Competitor E presents the best opportunity for attack at nearly every area, specially product accessibility and marketing support.

Table 4. Market share, share of awareness, and share in the heart

	Market share		Share of awareness		Share in the heart	
	2006	2007	2006	2007	2006	2007
Competitor A	41%	41%	59%	63%	50%	52%
Competitor B	12,2%	12,1%	21%	19%	19%	17%
Competitor C	6,0%	6,0%	12%	10%	14%	12%
Competitor D	2,5%	5,5%	5%	9%	8%	12%
Competitor E	3,6%	3,8%	7%	5%	9%	7%

Source: Research of the author.

Every economic entity has to analyze at least 3 values of their competitors: market share, awareness share, and heart share. Because of that, researches have been executed with the buyers of spirits through questionnaires. Share in awareness is extracted from questionnaires, in relation to the percentage of the buyers who answered positively the question: "Which company that produces spirits occurs from the top of your head?". Heart part answers this question: "Name the company whereof you would buy spirits?". The market share the author got is based on the accessible secondary research. Harvested results of research are displayed in Table 4. Competitor A has a high stable market share that doesn't change. His share in awareness, and in the heart, is increasing because this competitor has a great marketing support, accessibility and awareness of the buyers. We expect that competitor A will improve his advantages in the future, because the share in awareness and heart also rises.

Market share of competitor B is almost at the same level, but it is decreasing in awareness share and heart as well. It's probable to expect that in the future the market share will fall too, so competitor B should seek the reasons for that fall. Because product quality and staff are excellent, and awareness of the buyers is very good, competitor should find potential causes of this problem in the area of product accessibility and marketing support. These two factors of success were ranked as good by buyers. Position of competitor C is even harder that of competitor B, since the share in awareness and in heart is progressively dropping so it's realistic to expect faster fall in market share.

Causes should be found in bad marketing support and product accessibility, as they were marked by the buyers. Competitor D shows a significant rise of all shares. Market share is doubled; share in awareness is increasing for 80%, and in heart for 50%. Unquestionably, credits for that should be prescribed to great marketing support and great product accessibility. A confirmation of that is the position of competitor E who experienced the significant fall in share in awareness, and share in heart, since it has a bad marketing support and bad product accessibility. By this we prove the hypothesis H3 that says: Marketing support and product accessibility are the most important factors of success in the spirits market.

2.4. Research restrictions. Restrictions that we have to think about in our research refer to structure of the sample. 21 companies that have been interviewed geographically didn't evenly cover the whole territory in Croatia. From that point of view there are restrictions in the sense that some of distinctive local characteristics weren't taken into consideration in the research.

With the goal to get most accurate last movements on the Croatian market, the author used facts and data for the first three quarters in the year, believing that the last quarter of the year couldn't significantly change the fundamental picture of the situation.

Taking all previously mentioned into account the author thinks that the results of research should be looked at leads or clues that describe trends and the picture of spirits industry and competitors on that market.

Conclusion

In the paper we used the analysis of the industry and attractiveness of the spirits markets in detail. Focuses of our scientific interest were above all competitors, their role and effect on the attractiveness of the market and industry of spirits products in Croatia. In the paper the spirits market, main competitors, their strategies, goals, strengths and weaknesses were analyzed.

Harvested results of conducted primary and secondary researches lead us to the conclusion that we have, on the whole, confirmed the entire set of hypotheses. Researches undeniably show that the national competitors in the spirits market in Croatia have to turn their marketing strategy towards new competitors that come from foreign markets.

Global economic entities with their own world brands present main threat to already existing national competitors in the Croatian spirits market. These big market players will continuously keep coming to Croatian market, bringing along world brands supported with expense advantages, economy of scale and global marketing.

National producers increasingly lose their negotiating position due to a large number of foreign chain stores and grouping of the retail sector. Growing competition between retailers, weak purchasing power, and the will to reach the highest profit affect the retailers who charge more from producers to retain customers. On the other hand, producers, to gain and/or keep customers, are forced to make big marketing investments in the point of sales. From this even harder position of producers emerges which results in decreasing profit. Slight increase of the spirits market above all refers to import. Although in the past three years gradually we can notice a slight increase of imported products, we can also assume the continuous growth of import competition.

On the one hand, we have growing import of products that don't have a well-known brand, but from the price aspect they represent a big threat. On the other hand, well-known imported brands with large marketing investments attract consumers (Jagermeister) and generate their loyalty.

After detailed analysis of spirits market in Croatia, and each national competitor in the Croatian market we come to a decision that in the few years intensity of their competition, as well as their mutual competitiveness are almost on the same level. Performed researches showed that the basic strategy of the national players, except for Badel 1862 d.d., is concentration in the local markets.

Also, the researches indicate that national spirits producers till now haven't succeeded to create one global brand. Precisely their strategy, concentration on the local markets, as well as non possession of brands outside their national markets represent the main weaknesses on the market. Intensity and the range of this weakness in Croatian market will grow with the coming of big foreign market players.

The researches we conducted in Croatia, show that good conceptualized marketing support and accessibility in the market represent the main reason of market success. Legislation about the food (Official Gazette No. 117/03) banns advertising of spirits through print, mass media and all forms of advertising in public places. Uniquely, advertising of beer, wine, and fruit wine is acceptable in accordance with a special regulation. Taking in mind all the legal obstacles we mentioned, the research shows that for the success in spirits market well developed marketing support is very important. Structure of the sales channel, for the past few years, marks dynamic changes.

Till yesterday medium and small stores lose on their importance, while hyper/supermarkets get the bigger relevance. In catering and tourism industry more night and elite clubs are being opened, they also become an important sales channel. Coffee bars and bars are still the most important channel of spirits consumption.

In spirits consumption coffee bars and bars present the potential for attraction and winning over new consumers, and also represent an important factor in creating product image. On the other hand, presence in all retail channels is essential, especially in big stores, and chain stores where their importance is still growing.

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