



A Modern Approach to Comprehensive Competitive Potential Assessment for Service Providers

Irina R. Zakirova, Zarima G. Zainasheva, Gulnara F. Shaikhutdinova, Nuriya U. Ibragimova, Lyudmila N. Korotkova, Diana D. Mukhametova

FSBEI of HE "Ufa State Petroleum Technological University"
(1, Kosmonavtov Str., 450062, Ufa, Republic of Bashkortostan, Russia)

Abstract

The relevance of the research is determined by specifics of competitive potential assessment for service providers. The purpose of this research is a comprehensive competitive potential assessment (CCPA) of Russian service providers, including an identification of their competitive positions in the market, as well as opportunities and problems areas in their operational activities to facilitate further management decisions. The paper proposes a methodical toolkit to assess competitive potential of a service provider. Based on the presented technique, a comprehensive competitive potential analysis of the following communications service providers (CSP) has been carried out: MTS PJSC, MegaFon PJSC; VimpelCom PJSC. The following of competitive potential components have been researched: resource, labour, organizational and managerial, innovative, service and technological. As the result, the potential competitiveness integral indicators calculated for the CSPs have shown the following values: MegaFon PJSC – 36%, MTS PJSC – 35%, VimpelCom PJSC – 29%. The conclusions section of this work contains recommendations on increasing the competitive opportunities of the CPS as well as a substantiation of the practical importance of the presented technique in implementing management technologies for diagnostics of the development of service industries in various sectors of the national economy, including companies of the oil and gas sector. The materials of the article can be useful for managers of service companies and service consumers.

Keywords: competitiveness, competitive potential, service sector, service business structures, communications service providers, assessment

1. Introduction

One of the most important areas of Russia's economical development is stabilization and growth of competitive production in all sectors and in each individual enterprise. The problems of increasing competitiveness are inherent to virtually all Russian enterprises. However, service companies are in the most difficult position due to high competition, inefficiency of competitive strategy, and the lack of a scientifically based competitive potential development concept for service providers.

The process of managing competitiveness of a service company requires implementing an effective economic tool and is reduced to competitive potential management. Competitive potential of service providers includes the following components: resource, labour, organizational and managerial, innovative, marketing, service and technological [3].

An analysis of works on assessing competitiveness and competitive potential of a company [8, 9] indicates that currently there is a number of approaches based on various competitiveness assessment techniques, but they are of generic nature and do not take into account specifics of the sector [10-20]. Problems associated with competitive potential management for service companies remain understudied. When assessing competitive potential for service providers, it is necessary to take into account the whole set of competitive potential efficiency indicators.

The above mentioned determines the relevance and further research of CCPA for service enterprises.

2. Materials and methods

The purpose of this research is a CCPA of Russian service providers, including an identification of their competitive positions in the market, as well as opportunities and problems areas in their operational activities to facilitate further management decisions.

The key objective of a CCPA is obtaining of quantitative indicators for the following measures:

- 1) Resource Accounting;
- 2) Efficiency Analysis of marketing, managerial, technological, innovative, labour, and financial activities;
- 3) Competitive Advantage Assessment based on specifics of the telecommunications industry;
- 4) Competitive Opportunity Assessment for service enterprises in the market.

Each indicator is given a numeric value and it is compared with the recommended (average) value in the sector, or with the corresponding value of a competing company. Due to different nature of indicators to be analysed, and in order to ensure correctness of an assessment, there have also been introduced scores used in final calculations. Assessment of each competitive potential indicator is done using an expert or heuristic technique on a scale from 1 to 5, where 1 is the minimum value of the parameter, and 5 is the maximum value, respectively. Weighted average scores of the key indicators are used to obtain a quantitative productivity assessment of the integral competitive potential.

The result of the CCPA technique is the integral indicator of competitive potential for service companies calculated by the formula:

$$KP = \sum_{i=0}^n Ki Vi \tag{1}$$

where: n – the number of components of competitive potential provided for an integrated assessment;

K_i – the significance index of the i -th component of the integrated competitive potential;
 V_i – the relative efficiency indicator for the i -th component of the competitive potential.

According to the presented technique, a CCPA for CSPs has been carried out [1]. The results of CCPA for CSPs are shown in Table. 2

Table 1.Competitive potential significance indices

No	Key components of competitive potential	Significance index
1	Resource component	0.1
2	Financial and economic component	0.12
3	Labour component	0.11
4	Organizational and managerial component	0.12
5	Innovative component	0.15
6	Marketing component	0.1
7	Service and technological component	0.13
8	Competitive advantage development level	0.17

The resource and marketing components are the lowest values of the significance indices, while the competitive advantage competitive level is the largest one.

A CCPA of the following CSPs has been carried out: MTS PJSC, MegaFon PJSC; VimpelCom PJSC.

3.Results

Table 2. Results of CCPA for CSPs

No	Competitive components structural components	Significance index	Indicators of competitive potential, scores					
			MTS PJSC	$K_i V_i$	MegaFon PJSC	$K_i V_i$	VimpelCom PJSC	$K_i V_i$
1	Resource potential	0.10	3.8	0.38	4.4	0.44	3.0	0.3
2	Financial and economic potential	0.12	2.2	0.26	3.0	0.36	2.6	0.31
3	Labour potential	0.11	4.4	0.48	4.6	0.50	3.6	0.39
4	Organizational and managerial potential	0.12	4.2	0.50	3.8	0.45	3.6	0.43
5	Innovative potential	0.15	3.4	0.51	3.2	0.48	2.4	0.36
6	Service and technological potential	0.10	3.2	0.32	4.0	0.40	4.4	0.44
7	Marketing potential	0.13	4.6	0.59	4.0	0.52	2.8	0.36
8	Competitive advantage development level	0.17	4.6	0.78	4.1	0.69	3.5	0.59
9	Integral indicator of competitive potential $KP = \sum_{i=0}^n Ki Vi$	-	3.82		3.84		3.18	
10	Ranking of companies by the integral indicator of competitive potential	-	2		1		3	

It should be noted that of the CSPs under consideration are they are recognized leaders in the Russian telecommunications market. Nevertheless, the results of the comprehensive assessment showed

the following market positions: MegaFon PJSC has ranked 1st with 3.84; PJSC MTS has been just below with 3.82; VimpelCom PJSC has ranked 3rd with only 3.18 value of the integral indicator.

Table 3. Scale for assessing the level of competitive potential of CSPs

Level of competitive potential of CSPs	Value of the coefficient of competitive capacity	CSPs
1 High competitive potential	$K_{cp} \geq 3.8$	MegaFon PJSC, PJSC MTS
2 Moderate competitive potential	$2.5 > K_{cp} \geq 3.7$	VimpelCom PJSC
3 Low competitive potential	$K_{cp} < 2.5$	OJSC Tele2

4.Conclusions

Described below are the results of the diagnosis of functional components of the integral potential for the considered companies. Assessment of resource endowment for CSPs has demonstrated the following positive aspects: PJSC Megafon has shown a high value of 4.4 – in terms of the number of employees, the share of fixed assets value, the amount of net assets, while the corresponding parameters for PJSC MTS and PJSC Vimpelcom have made up 3.8 and 3.0 respectively.

The analysis of the financial and economic component of the competitive potential of the considered CSPs has shown the following shifts in a number of its indicators:

- low efficiency of financial and economic activity, which is caused by irrational capital structure, high share of borrowed funds and, as a result, by dependence on credit organizations;
- a negative value of current assets coverage ratio, characterizing by a low financial stability level of the companies in issue, which is the reason of significant accumulation of financial risk;
- absolute liquidity indicators are within regulatory limits, current liquidity is slightly below recommended limits;

- positive ROE: PJSC Megafon - 27.6%, PJSC VimpelCom - 22.9%, lower PJSC MTS - 18.6%.

The analysis of labour potential has shown the most positive results of PJSC Megafon with a score of 4.6 in labour productivity, personnel qualifications, and cost of training and development programs (PJSC MTS - 4.4, PJSC VimpelCom - 3.6).

The assessment of organizational and managerial component of the potential has identified high professional competence of the managerial staff; effectiveness of corporate structures as well as informational and communication activities; an acceptable level of investment activity, however, intellectual property assets of the companies are characterized as low, e.g. 0.096% for Beeline company. The companies have got the following grades for the organizational and managerial component: PJSC MTS - 4.2, PJSC Megafon - 3.8, PJSC VimpelCom - 3.6.

The level of innovative potential has been assessed on the basis of cost required for implementation of high-tech services, providing auxiliary services, as well as by using service innovation indicators, etc. It should be noted that this component has a significant weight in the structure of competitive potential. However, according to the research data, its value has been assessed as low, and particularly for R&D expenses in 2015.

The assessment of the service and technological potential has been done using data on technological capability, modernization

investment volume, service automation level, ROA, etc. The companies have earned the following grades for the service and technological component: PJSC VimpelCom - 4.4, PJSC Megafon - 4.0, and PJSC MTS only 3.2, due to low profitability of trade and service processes (3.9%).

The potential of marketing activities has been assessed by the following indicators for 2015: increment in the mobile user market share, efficiency of advertising activities, advertising costs. According to the results of the research, the following grades have been assigned for the above component: PJSC MTS - 4.6 (an increment in the market share of 0.7%), PJSC Megafon - 4.0 (0.2%), Beeline - 2.8 (0.1%).

The most significant component in analysis of competitive potential is assessment of competitive advantage development level, determined by client base, brand popularity, price and quality of services, etc. To date, for this component, MTS retains its leading position with a grade of 4.6, having 77.3 million of subscribers in Russia, 128.9 thousand base stations, more than 5,000 own communication stores, the geographical reach of 83 Russian regions, high brand popularity, effective pricing policy, high quality of communication. By this criterion, PJSC Megafon and PJSC VimpelCom have been ranked 2nd and 3rd, with a grade of 4.1 and 3.5, respectively. The diagram in the Figure 1 shows of a competitive potential development level for the leading Russian CSPs.

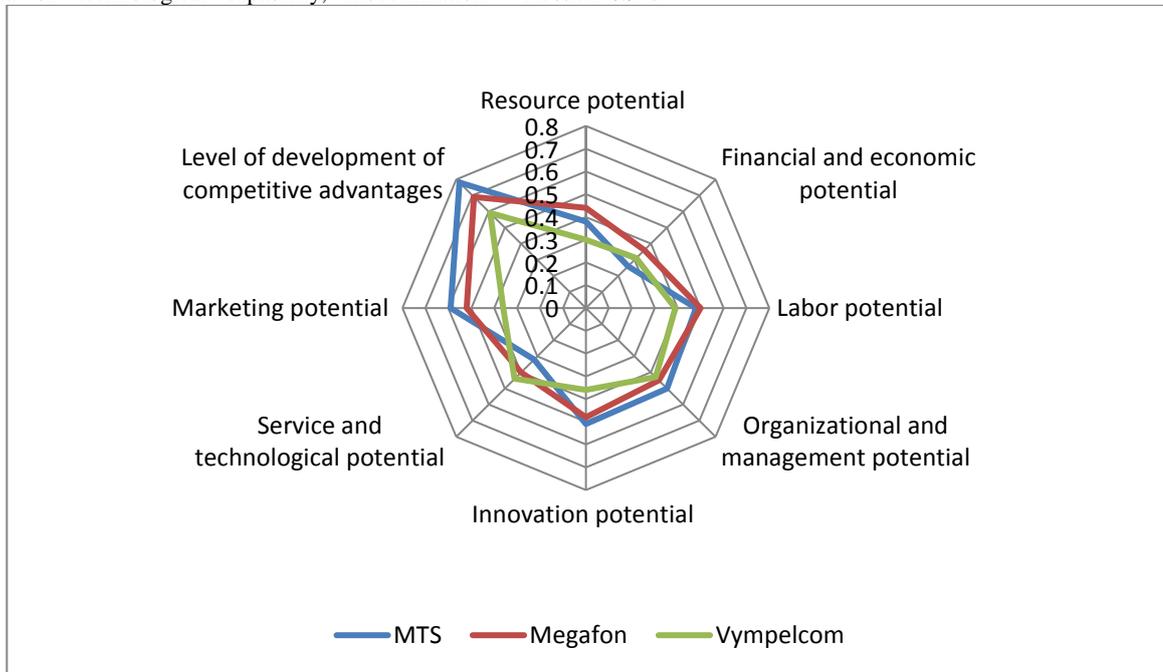


Figure 1. Competitive potential development level for the leading Russian CSPs.

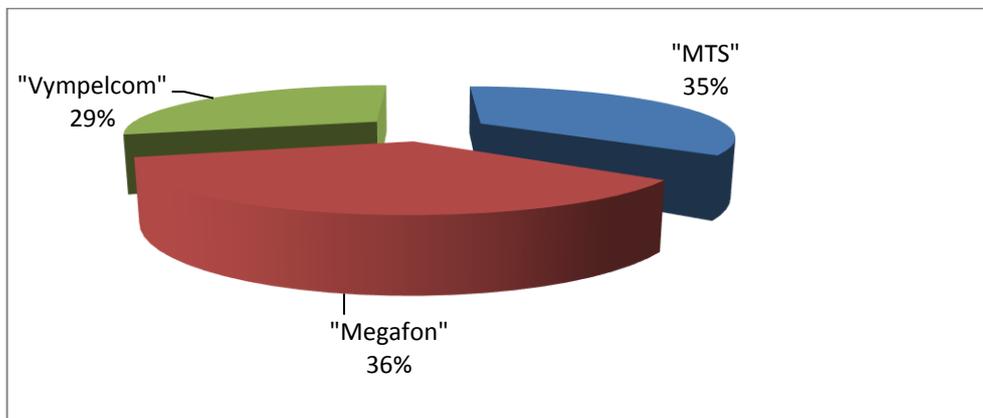


Figure 2. Competitive advantage development level for or the leading Russian CSPs.

As the result, the potential competitiveness integral indicators calculated for the CSPs have shown the following values:

MegaFon PJSC - 36%, MTS PJSC - 35%, VimpelCom PJSC - 29%.

5. Recommendations

This section contains the key stimulation activities aimed at increasing competitive potential of the CSPs.

According to the latest estimates of experts, the Russian telecommunications market has stopped growing, and its further decline is projected. In unfavourable market conditions, increased competition, glut of mobile services, cellular operators experience difficulties due to the decline in economic indicators.

The main recommendations for enhancing the competitive potential of the CSPs are the following:

- optimization of costs and capital structure in order to reduce dependence on credit institutions and financial risk;
- increasing labour productivity potential by creating favourable socio-economic incentives for professional development of personnel and increasing its interest in raising labour productivity;
- improvement of service and technological as well as innovation potential through introduction of new technologies and implementation of a range of innovative services such as mobile Internet, cloud services, and M2M technologies, etc.;
- activation of marketing potential by offering quality services and a wide range of products to various market segments; creation of attractive billing plans, offering mobile advertising, etc.;
- development of competitive advantages that strengthen market positions: advantageous location and wide presence in retail outlets, brand awareness, developed infrastructure, reliability of services, extensive client base, individual approach to subscribers; wide coverage area; innovativeness of services, etc.
- design of a company's competitive strategy, involving development of a concept, tools and standards of service, as well as a customer-focused culture.

Thus, in order to increase the competitive potential and market sustainability of service business, a company's resources should be used efficiently, market changes must be constantly monitored, and design of sustainable competitive advantages should be done in line with the market demands.

The presented technique for assessing competitive potential of service providers by virtue of its practical focus can be applied while implementing management technologies for development identification and analysis of service industries in various sectors of the economy, including service organizations of oil and gas sector for geological exploration, design, research, communication engineering support, logistical support, etc.

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