

Orazgaliyeva E.B.

doctoral student PhD, «Narxoz University», Kazakhstan, Almaty,
e-mail: Elmaira.orazgalieva@narxoz.kz

THE THEORETICAL ASPECTS OF COMPETITIVE ADVANTAGES AS AN OBJECT OF MARKETING MANAGEMENT

The competitive advantage of the company lies at the heart of its success in the market. Competitive advantage is the achievement of leadership in costs, the achievement of differentiation or the achievement of focus, this means that the company intends to become the best. Competitive advantages are usually reduced to one of two basic advantages, this is the superiority in resources and positional superiority. Thus, competitive advantage is defined as a significant competitive advantage over cost-sharing, the results of which depend on the positioning strategy. The competitive war continues constantly, therefore there is no guarantee that competitive advantages will be maintained for a long time. In this regard, understanding sources of sustainable competitive advantages has become an important area of research in the field of marketing management.

The article reveals the essence and need for the formation of competitive advantages. The article also analyzes the concept of competitive advantage. Having studied the relevant literature and analyzing the articles of other scientists, the author emphasizes the need and development of marketing management of competitive advantages.

The author offers theoretical models of competitive advantages, made based on models of other authors, which will be useful in developing strategies within the framework of targeted assistance to companies. It is important for companies to regularly monitor and analyze strategies of target competitors in order to respond quickly to their actions, understand how to get ahead of them and always be in high positions in order to survive and conquer the market.

Key words: competitive advantages, competitive strategy, marketing management.

Оразгалиева Э.Б.

PhD докторанты, «Университет Нархоз» АҚ, Қазақстан, Алматы қ.,
e-mail: Elmaira.orazgalieva@narxoz.kz

Маркетингтік басқарудың мақсаты ретінде бәсекелестік артықшылықтардың теориялық аспектілері

Бәсекелік артықшылықтар кәсіпорынды нарықта танымал етіп, нарықтағы іс-әрекет нәтижесін жоғарылатып, бәсекелік күштер ықпалынан қорғайды. Бәсекелік артықшылықтар бұл компания үздік болу үшін шығармашылық стратегия қолдана отырып төмен шығындар мен дифференциация арқылы артықшылықтарға ие болу. Бәсекелік артықшылықтар екі негізгі артықшылықтардан тұрады: бұл ресурстардағы артықшылық және позициялық артықшылық. Өндіріс шығындарын төмендету арқылы көшбасшылыққа жету және ресурстық мүмкіндіктерді пайдалану арқылы дифференциациялану стратегиясына сүйену де бәсеке күресінде артықшылықтар беруі мүмкін. Бәсекелестік күрес үнемі жалғасуда, сондықтан бәсекелік артықшылықтар ұзақ уақыт бойы сақталатынына кепілдік жоқ. Осыған байланысты, тұрақты бәсекелік артықшылықтардың көздерін түсіну маркетингтік басқару саласындағы зерттеулердің маңызды бағытына айналды.

Мақалада бәсекелік артықшылықтардың мәні және оларды қалыптастыру қажеттілігі қарастырылған және бәсекелік артықшылықтар тұжырымдамаларына талдау жасалған. Автор басқа авторлардың мақалаларын талдап, әдебиет көздеріне шолу жасап бәсекелік артықшылықтарды маркетингтік басқарудың қажеттілігін атап көрсетеді.

Автор мақалада басқа авторлардың модельдерін негізге ала отырып бәсекелік артықшылықтардың теориялық моделін ұсынған.

Түйін сөздер: бәсекелік артықшылықтар, бәсекелік стратегия, маркетингтік басқару.

Оразғалиева Э.Б.

докторант PhD, АО «Университет Нархоз», Қазақстан, г. Алматы,
e-mail: Elmaira.ozagalieva@narhoz.kz

Теоретические аспекты конкурентных преимуществ как объекта маркетингового управления

Конкурентное преимущество компании лежит в основе ее успешной деятельности на рынке. Конкурентное преимущество – это достижение лидерства по затратам, достижение дифференциации или же достижение фокуса, это означает, что фирма намеревается стать лучшей. Конкурентные преимущества сводятся, как правило, к одному из двух базовых достоинств, это превосходство в ресурсах и позиционное превосходство. Таким образом, конкурентное преимущество определяется как значительное преимущество перед конкурентами по распределению затрат, результаты которого зависят от стратегии позиционирования. Конкурентная война продолжается постоянно, поэтому нет никакой гарантии, что конкурентные преимущества будут поддерживаться надолго. В связи с этим понимание источников устойчивых конкурентных преимуществ стало важной областью исследований в области маркетингового управления.

В статье раскрываются сущность и необходимость формирования конкурентных преимуществ, сделан анализ концепции конкурентных преимуществ. Изучив соответствующую литературу и анализируя статьи других ученых, автор подчеркивает необходимость и развитие маркетингового управления конкурентными преимуществами.

Автор предлагает теоретические модели конкурентных преимуществ, сделанные на основе моделей других авторов, которые будут полезны при разработке стратегий в рамках целенаправленной помощи компаниям. Компаниям важно регулярно отслеживать и анализировать стратегии целевых конкурентов, чтобы быстро реагировать на их действия, понять, как их опередить и всегда быть на высоких позициях, для того чтобы выжить и завоевать рынок.

Ключевые слова: конкурентные преимущества, конкурентная стратегия, маркетинговое управление.

Introduction

Competition holds a special place in the theory and practice of business. The concept of success of any economic entity in the market is a paradox with its victory in competition. The world economy has become a conflict zone among the leading countries, the development of the national economy is characterized by ratings, position, shares. Competitive companies act in the same way, but the results of their work differ significantly. These differences are related to the ability of companies to resist competitive pressure or, in other words, their competitiveness.

Every company in the market has a competitive strategy that improves a rapidly changing business environment and globalization in order to increase profits and customer loyalty. The company is constantly looking for new opportunities and the ways to make their operations more efficient. For some companies' major important factors are

competitive strategies and plans for strengthening the competitive advantage, while others focus on the company's growth, the number of operations and investigations. Each company seeks to attract new customers, and to retain them and to look for ways for how better adapt to consumer needs and satisfy them. The company does not need to offer the lowest prices on the market and a better-quality product than the competition, but it is important to react faster than the competition in a changing environment, adapt to market developments, as well as innovation in the company's activities.

Materials and methods

Competitive advantages make the company popular in the market, increase market efficiency and protect against the influence of competitive forces. And what advantages should a company compare with others in order to be competitive? At the same time, the concept of «competitive

advantages» is widely used together with the concept of «competitiveness», which requires constant improvement (modernization). But what does this mean, what is the level and dynamics of its definition, how is it measured and how is it estimated?

The article purpose – analysis of the competitive advantage’s theoretical aspects. Research methods – scientific literature analysis, comparison method.

Literature review

Achieving competitive advantages, analyzing the work of foreign scientists, raising competitiveness of the company, shows that competitive advantages are based on different priorities at various stages of society development. Analyzing the evolution of the development of modern competitive advantages, it has allowed it to be divided into several stages (Table 1).

Table 1 – Concept of competitive advantages

Author	Concept of competitive advantage
Porter (1980)	Competitive advantage is at the heart of a firm’s performance in competitive markets. Competitive advantage means having low costs, differentiation advantage, or a successful focus strategy. Competitive advantage grows fundamentally out of value a firm is able to create for its buyers that exceeds the firm’s cost of creating it
Ghemawat (1986)	The competitive advantage is more sustainable the greater the number of sources of cost or differentiation advantages
Barney (1997)	The competitive advantage is considered sustainable if those resources are also nonimitable (i.e., cannot be easily duplicated by competitors), nonsubstitutable (i.e., other resources cannot perform the same function), and nontransferable (i.e., cannot be acquired in the marketplace)
Kay (1993)	Competitive advantage is a deceptively simple idea of assessing a company’s capabilities and market position by how they give it advantage 4 relative to competitors’. Competitive advantages are ephemeral and only worth as much as the value that the market places on them
Hunt (2000)	Modern business strategy maintains that the strategic imperative of a firm should be sustained, superior financial performance and the belief that this goal can be achieved through a sustainable competitive advantage in the marketplace
Saloner, Shepard, Podolny (2001)	Most forms of competitive advantage mean either that a firm can produce some service or product that its customers’ value than those produced by competitors or that it can produce its service or product at a lower cost than its competitors
Powell (2001)	Competitive advantage has generated a large volume of scholarly output, both theoretical and empirical; firms do, by all accounts, attempt to identify, create and leverage competitive advantages; and competitive advantage is universally accepted in strategic management courses and textbooks as an essential concept in strategy
Wang (2014)	Competitive advantage is obtained when an organization develops or acquires a set of attributes (or executes actions) that allow it to outperform its competitors. The development of theories that help explain competitive advantage has occupied the attention of the management community for the better part of half a century

Note: based on source (Išoraitė, 2018)

Results and discussion

Lambert following the path of Porter gives the following definition, competitive advantages are the advantages of a particular brand of an enterprise in comparison with its direct competitors. He says that these qualities may be associated with the goods themselves or with the additional services that accompany them. These properties are relative because they are determined by comparing their positions in the market or in a market segment with their competitors. It has two types of competitive advantage.

1) External advantage is a distinctive feature of a valuable product for the consumer, and therefore the market power of the enterprise increases, so that the company puts its price above its dominant competitor and forces it into the market. The differentiation strategy is based on external preferences.

2) Internal preferences are associated with production costs and management methods. This is important for the manufacturer, since it provides maximum profitability, rational use of resources and economic efficiency in comparison with the main competitor. This is a low-cost leadership strategy (Lambert et al., 2014).

R.M. Grant takes a similar approach in its work «Modern Strategic Analysis». It provides a fundamentally clear definition of competitive advantages: «If two or more firms operate in the same market, one of them will have a competitive advantage over the other, with a stable high level of profit.» But if we compare competitive advantages with the highest profitability, then why the concept of competitive advantage is necessary, the author does not describe the competitive advantages of only high profits. A firm can opt out of profits for the current period and conclude that it can invest

in increasing market share, technology, customer loyalty, or bonus development.

R.M. Grant also shares competitive advantages as Lamben on external and internal changes (Figure 1).

According to the author, in the long-term prospect, the competitive advantage will be the disruption of balance caused by changes. Changes in the industry will be external and internal. In order to provide competitive advantages for external changes, they should not have the same impact on the market firms (because of the firm's resources, capabilities, and strategic position).

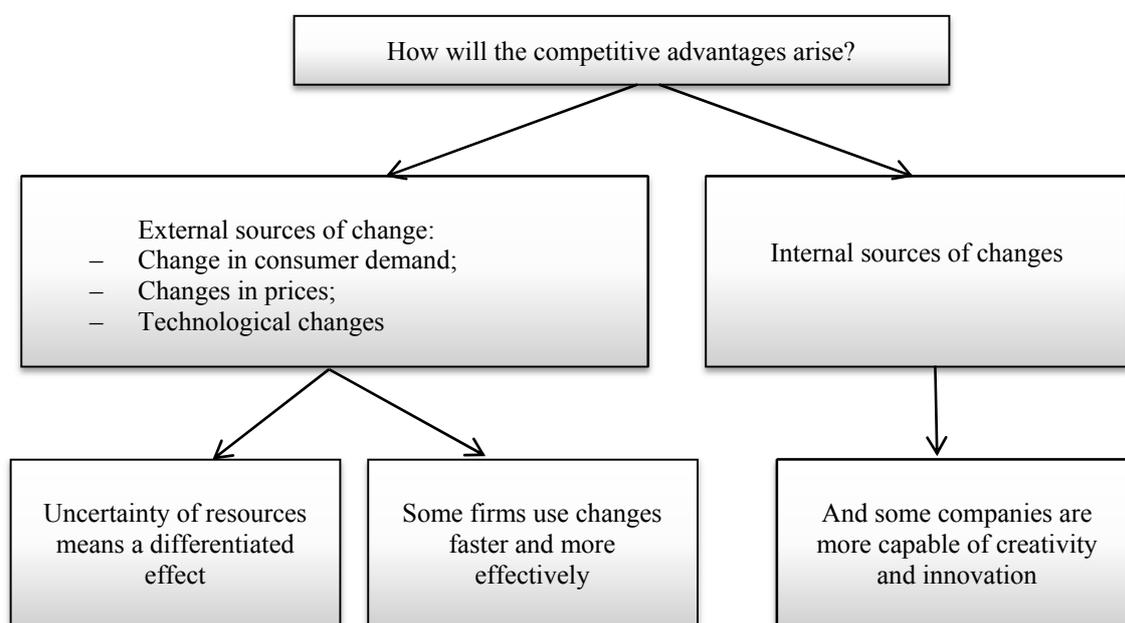


Figure 1 – Competitive advantages of the theory of R.M.Grant

The most abundant reference to the theory of competition is M. Porter says competition is not the size of a company, but a decisive choice of a competitive strategy. In his opinion, it is not important for a company to have a dominant position in the market, and the right choice strategy will allow the small company to be the industry leader. M.Porter has led to the following three major strategies:

- 1) Leadership costs (according to author's terminology – lower competitive advantage);
- 2) leadership in differentiation (higher competitive advantage);
- 3) concentration – loss or differentiation.

As can be seen in Figure 2, the horizontal axis shows the highest price of the market, and the vertical axis shows the cost of production. Both values are expressed as a percentage of the dominant

competitor. Sitting in the lower left quadrant is a cost leadership strategy followed by the upper right quadrant – a differentiation strategy. Bisector separates the positive and negative zones.

M. Porter says that these two types of competitive advantages can not be accompanied simultaneously because the origin is uneven and requires the company's skills and culture to have significant differences from one another (Porter, 2005).

Russian scientist R. Fatkhutdinov has analyzed M. Porter's theoretical conclusions and concludes that he can not be considered as a domestic one, but as an American experience (Fatkhutdinov, 2000). Recognizing that the author's research is sound, we do not fully agree with it. In our view, the strategies to achieve competitive advantages offered by M. Porter are of an applied nature for domestic businesses.

In particular, achieving leadership by reducing production costs is currently the most pressing issue for most Kazakh businesses. Moreover, having a specific marketplace with foreign goods and products, relying on a differentiation strategy using domestic resource capabilities can also give a competitive advantage.

However, according to a study by Kim and Robert Moborn, the experience of 1990–2000 shows that companies combining these two types of competitive advantages have long-term benefits from their profits. Thus, it is about why the success of companies. According to Kim W. Chan, Mauborgne R. the impact of competitive advantage on a company's strategy should be considered in two ways to find the answer (Chan et al., 2004).

1) The structured approach is based on the theory of industrial organization, and the structure of the market seems to be shaped by «external» demand and supply terms. These conditions determine the behavior of buyers and sellers, which, in turn, determine the overall performance of the company. Changes are due to external factors: global economic trends and technological innovation.

2) A restructuring approach based on the theory of endogenous growth, according to which the forces that change the structure of the market and determine the situation in the industry manifest themselves in the form of «internal» innovation. Schumpeter «destructive effects» arise at any time due to the implementation of new ideas of entrepreneurs in any company.

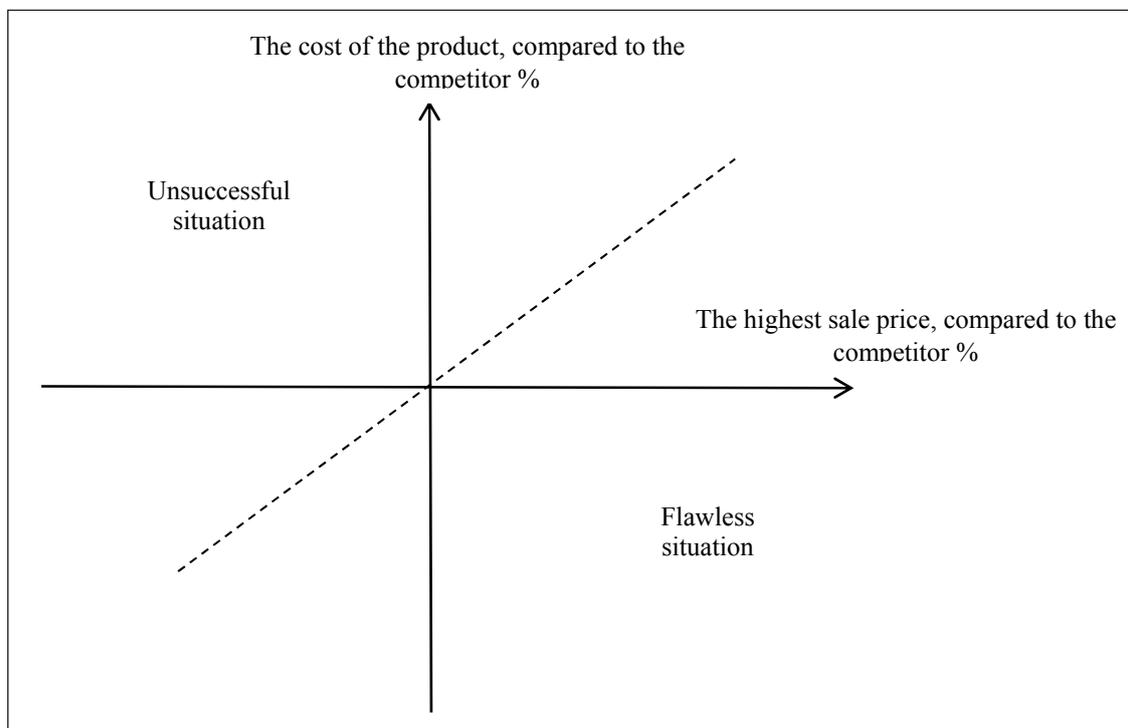


Figure 2 – Porter's competitive advantages

According to Kotler, in the competition it is important to develop competitive strategies that would stand out from its competitors, but firstly it is essential to know its market position, goals, capacities and resources (Kotler et al., 2012).

Kotler distinguishes four different positions:

1. The leader – the company that owns the largest market share in the industry. The Other company adapts to its new products, price changes, product distribution and support;

2. Contender for the leader its industry is in the second position only to the leaders trying to capture a larger market share, attacking the leader;

3. Follower – the company does not want to change the situation in the market and will maintain the current share of the market, fearing more to lose than gain profit;

4. The niche filler – services to small segments of the market, other companies go unnoticed or ignored.

This market position specifying the strategy take the company or it could be viewed as a dangerous competitor to the market leader, and it only serves the remaining segments, which are not relevant to large companies governing market conditions and constantly seeking to conquer the rest of the market, as the competitive struggle never ends.

Competitive advantage is divided into 3 strategies:

1. Pricing strategy – important for companies that produce and sell standardized products. The idea is to reach a huge market and audience. In order to take this strategy requires significant investments that help increase productivity, and improved product manufacturing processes of the organization, interspersed products.

2. Distribution strategy – includes the company, which produces and sells strongly individualized goods. As products and services are unique, this strategy allows the firm strongly dominate and also promote the growing attention and an advantage over the competition.

3. Recollection strategy – this strategy allows the company to focus on narrow market segments in which it will try to become superior to the competitors, optimizing the allocation price. These strategies take small and medium-sized firms, in order to avoid direct contact with stronger rivals.

In summary, it can be said that competition is the engine that encourages companies to quickly respond to arising situations and adapt to the environment, to follow competitors' actions and mistakes, share and learn from others. This is a business basis, which drives companies to grow, innovate and of course to meet the changing needs of their customers. Various scientists do not agree on a precise definition of competitive advantage but they reveal a variety of factors, and analyze them in various aspects.

It is argued that competitive advantage is influenced by the factors such as infrastructure, the complexity of the business, labor and goods market efficiency, financial market complexity, innovation, technology, institutions of higher education and training, and macroeconomics. It is also believed that equally is important for both external as internal factors. These factors determine whether a company is able to defeat its rivals and lead the market. Competition has its theoretical models and competitive advantage in the development of strategies As part of the targeted help companies gain a competitive advantage over the competition. It is important to regularly monitor and examine the target competitors' strategies to quickly respond to their actions in order to grasp how to overcome them and find themselves in the leadership position it, to survive and conquer the market.



Figure 3 – Competitor analysis phases (Kotler et al., 2012)

The company, which wants to create an effective marketing strategy, must get as much information about their competitors as possible. It is important to constantly analyze the differences between the major competitors and their products, pricing, sales support programs and distribution chains. In carrying out these actions the company determines its own potential strengths and weaknesses and develops more effectively in its marketing campaign against the competition.

In our opinion, these statements are not contradictory (Lambert, Porter, Kotler, Kim and

Robert Moberne). Although each of them brings their thoughts in a variety of words, they all say that competitive advantages are based on external factors or using the right internal resources.

Analysis of the work of foreign scientists to improve the competitiveness of the company and achieve competitive advantages showed that competitive advantages are based on different priorities, at different stages of the development of society. Analyzing the evolution of the development of modern competitive advantages, he made it possible to divide it into several stages (Table 2).

Table 2 – Evolution of the development of modern competitive advantages

Stages of development of competitive advantages	Years	Sample of competitive advantages	Features
Stage 1	In the 70's of the XX century	BMG, McKinsey Matrix, Competitive Force	A resource approach as a source of competitive advantages
Stage 2	80s of the XX-th century – the beginning of the 90s	Reconstruction, reengineering	Compliance with the company's «compression» approach
Stage 3	From the 95s of the XX century to the end of the century	Increased value, ecosystems	Formation of unique value through improvement of production processes, product improvement, customer service
Stage 4	XXI century	Joint competition, strategic architecture, electronic corporate culture	Establishing partnerships with market participants, forming the future market, forming electronic culture

Conclusions

Thus, as the above analysis shows, over the last 30 years, theories about competitive advantages have been actively developed. We can conclude that:

1) The prevailing intellectual component of the theory of competitive advantages develops. In other words, innovation, nonstandard solutions are of paramount importance in competition. According to the United Nations Development Program, currently the share of physical capital (material wealth) is 16%, natural wealth – 20%, human capital – 61%. In most developed countries the share of human capital is 80%.

2) The development of the theory of competitive advantages reflects the overall competition and the development of the entire global economy, and the emergence of competitive advantages

can be attributed to the stages of the economy's life cycle. That is why the current crisis in the economy is characterized by a downturn and requires the elaboration of appropriate competitive strategies, such as reducing costs, reducing the costs of companies, and implementing various transformations. But today, these strategies require innovative approach, based on existing practices.

3) The analysis shows that the competitiveness of the companies is a dynamic indicator rather than a constant indicator. In other words, one company may always have different competitive advantages. At present, a company with competitive advantages over low costs may have advantages such as high market share, high customer loyalty over a period.

4) Competitive advantages depend on external and internal capabilities. Using those sources rationally, combining a competitive edge with the market, the company succeeds.

References

- Barney J.B. *Gaining and Sustaining Competitive Advantage*. Addison-Wesley Publishing Company: Reading, MA. – 1997.
- Išoraitė M. The competitive advantages theoretical aspects // *Ecoforum*. – 2018. – vol. 7. – issue 1(14).
- Фатхутдинов Р.П. Конкурентоспособность: экономика, стратегия, управление: Учебное пособие для вузов. – М.: Инфра-М, 2000. – 312 с.
- Ghemawat P. Sustainable advantage // *Harvard Business Review*. – September-October 1986. – vol. 53
- Hunt S. D. *A General Theory of Competition* // Thousand Oaks: Sage. – 2000.
- Kay J A. *Foundations of Corporate Success*. – Oxford: Oxford University Press. – 1993.
- Kotler P., Armstrong G., Saunders J, Wong V. *Rinkodaros principai*. Vilnius. – 2012.
- Kim W. Chan, Mauborgne Renée. *Blue Ocean Strategy: From Theory to Practice* // *California Management Review*. – 2004. – vol.47 (3), pp. 105-121
- Lambert ZH.-ZH., Chumpitas R., Shuling I. Менеджмент, ориентированный на рынок. 2-ое издание / пер. с англ. Под. Ред. Колчанова В.Б. – СПб.: Питер. – 2014, 720 с.
- Porter M. E. *Competitive strategy*. The Free Press. – 1980.
- Портер М.Е. Конкурентное преимущество: как достичь высокого результата и обеспечить его устойчивость. – М.: Альпина Business Books, 2005. – 715 с.

Powell T.C. Competitive advantage: logical and philosophical considerations // *Strategic Management Journal*. 2001. – vol.22, pp. 875–888, doi: 10.1002/smj.173.

Грант Р.М. Современный стратегический анализ. – 9-е издание. – СПб.: Питер-Трейд, 2008. – 672 с.

Saloner G., Shepard A., Podolny J. *Strategy Market-oriented management*. – ic Management. John Wiley & Sons, New York. – 2001.

Smit A.J. The competitive advantage of nations: is Porter's Diamond Framework a new theory that explains the international competitiveness of countries? // *Southern African Business Review*. – 2010. – vol. 14 (1), pp. 105-130.

Wang H. Theories for competitive advantage. / In H. Hasan (Eds.), *Being Practical with Theory: A Window into Business Research*. – 2014, pp. 33-43.

Urbancová H. Competitive Advantage Achievement through Innovation and Knowledge // *Journal of Competitiveness*. – 2013. – vol. 5. – issue 1, pp. 82-96, DOI: 10.7441/joc.2013.01.06.

References

Barney J.B. (1997) *Gaining and Sustaining Competitive Advantage*. Addison-Wesley Publishing Company: Reading, MA.

Išoraitė M. (2018) The competitive advantages theoretical aspects. *Ecoforum*, vol. 7, issue 1(14)

Fatkhutdinov R.P. (2000) Konkurentosposobnost': ekonomika, strategiya, upravleniye [Competitiveness: economics, strategy, management]. *Uchebnoye posobiye dlya vuzov*. M.: INFRA-M, 312 p.

Ghemawat P. (1986). Sustainable advantage. *Harvard Business Review*, September-October, p. 53

Hunt S. D. (2000). *A General Theory of Competition*, Thousand Oaks: Sage.

Kay J. A. (1993). *Foundations of Corporate Success*. Oxford: Oxford University Press.

Kotler P., Armstrong G., Saunders J, Wong V. (2012) *Rinkodaros principai*. Vilnius.

Kim W. Chan, Mauborgne Renée (2004) *Blue Ocean Strategy: From Theory to Practice*. *California Management Review*, vol. 47 (3), pp. 105-121

Lambert ZH.-ZH., Chumpitas R., Shuling I. (2014) *Menedzhment, oriyentirovanny na rynek*. [Market-oriented management.] 2-oye izd. Per. s angl. pod red. V.B. Kolchanova. SPb.: Piter, 720 p.

Porter M. E. (1980) *Competitive strategy*. The Free Press.

Porter M. E. (2005) Konkurentnoye preimushchestvo: Kak dostich' vysokogo rezul'tata i obespechit' yego ustoychivost' [Competitive advantage: How to achieve high results and ensure its sustainability]. M.: Al'pina Biznes Buks, 715 p.

Powell T.C. (2001) Competitive advantage: logical and philosophical considerations. *Strategic Management Journal*, vol. 22, pp. 875–888, doi: 10.1002/smj.173.

Grant R. M. (2008) *Sovremennyy strategicheskiy analiz*. [Contemporary strategy analysis] 9-ye izd. ISBN 978-5-4461-0381-2, Izdatel'stvo Piter-Treyd, 672 p.

Saloner G., Shepard A., Podolny J. (2001) *Strategy Market-oriented management*. ic Management. John Wiley & Sons, New York.

Smit A.J. (2010) The competitive advantage of nations: is Porter's Diamond Framework a new theory that explains the international competitiveness of countries? *Southern African Business Review*, vol. 14 (1), pp. 105-130.

Wang H. (2014) Theories for competitive advantage. In H. Hasan (Eds.), *Being Practical with Theory: A Window into Business Research*, pp. 33-43.

Urbancová H. (2013) Competitive Advantage Achievement through Innovation and Knowledge. *Journal of Competitiveness*, vol. 5, issue 1, pp. 82-96, DOI: 10.7441/joc.2013.01.06.