

Kyiv National University of Trade and Economics  
Department of International Economic Relations

**FINAL QUALIFYING PAPER**

on the topic:

«Competitive Strategy of Logistics Enterprise in International Economic Activity»  
(based on the data of LLC “UKRTRANSAGENT”, Kyiv)

Student of the 2nd year, group 2,  
specialty 051 «Economics»,  
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Kyiv, 2018

## АНОТАЦІЯ

### **Павловський О.Ю. Конкурента стратегія логістичного підприємства в міжнародній економічній діяльності**

Випускна кваліфікаційна робота на здобуття освітнього ступеня магістра за спеціальністю 051 «Економіка», спеціалізацією «Міжнародна економіка». Київський національний торговельно-економічний університет, 2018.

У випускній кваліфікаційній роботі проаналізовано сутність та складові конкурентної стратегії в міжнародній економічній діяльності, досліджено фактори, що впливають на конкурентну стратегію підприємства. Представлено методичні підходи до оцінки ефективності конкурентної стратегії підприємства.

Проаналізовано фінансово-господарську діяльність та досліджено зовнішнє середовище ТОВ «УКРТРАНСАГЕНТ». Здійснено аналіз конкурентної стратегії підприємства в міжнародній економічній діяльності.

Представлено резерви для покращення конкурентної стратегії ТОВ «УКРТРАНСАГЕНТ». Визначено стратегічні напрями для підвищення конкурентоспроможності ТОВ «УКРТРАНСАГЕНТ». Проведено розрахунок прогнозних фінансових показників на середньострокову перспективу з урахуванням запропонованих заходів.

Ключові слова: конкурентна стратегія, конкурентоспроможність, оцінка конкурентної стратегії, підвищення конкурентоспроможності, споживачі.

## **ABSTRACT**

### **Pavlovskiy O. Competitive strategy of logistics enterprise in international economic activity.**

Thesis for the degree of Specialist 051 "Economics", specialization "International Economics". Kyiv National Trade and Economic University, 2018.

In the thesis work the essence and components of competitive strategy of the enterprise are investigated, factors influencing competitive strategy of the enterprise are identified. Methodological tools for evaluating the effectiveness of competitive strategy are found out.

The financial and economic activity of LLC "UKRTRANSAGENT" are analyzed. The external environment of LLC "UKRTRANSAGENT" is monitored. Competitive strategy of LLC "UKRTRANSAGENT" in international economic activity is analyzed.

Reserves in improving of competitive strategy of LLC "UKRTRANSAGENT" are revealed. Strategic directions for increasing of competitiveness of LLC "UKRTRANSAGENT" in international markets are defined. Mid-term forecast financial indicators of LLC "UKRTRANSAGENT" are calculated.

Keywords: competitive strategy, competitiveness, assessment of competitive strategy, consumers.

**Kyiv National University of Trade and Economics**  
**International economic relations department**

**SUMMARY**  
**TO THE FINAL QUALIFYING PAPER**  
**“Competitive Strategy of Logistics Enterprise in International**  
**Economic Activity”**  
**(based on the data of LLC “UKRTRANSAGENT”, Kyiv)**

Student of the 2<sup>nd</sup> year, group 2a,  
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**Kyiv 2018**

Final qualifying paper: 115 p., 11 fig., 15 tab., 5 appendices, 70 references

**The object of research** is a process of competition in international markets with the objective of gaining of competitive advantages for enterprises.

**The subject of research** is the theoretical and practical aspects of competitive strategy of LLC “Ukrtransagent” in the industry of logistics services.

**Enterprise, on the basis of which the final qualifying paper was completed** – LLC “Ukrtransagent”, Kyiv.

**The aim** of final qualifying paper is to analyze the competitive strategy of LLC “Ukrtransagent”, define its strengths and weaknesses, and find opportunities of developing of performance of enterprise, research main methods of increasing of competitiveness in international markets.

**Methods of scientific research.** In this work we have used such methods of research: comparison, modeling, synthesis, theoretical analysis and synthesis, abstraction, specification and idealization, induction and deduction, analogy, classification, generalization.

**The introduction** substantiates the relevance and practical significance of the chosen topic; formed the purpose, task, object, subject of research; the theoretical and methodological basis of the research is revealed; the research methods that were used in the work are presented.

**In Part 1** “Theoretical Aspects Of The Enterprise Competitive Strategy Formation In International Economic Activity” the essence and components of competitive strategy of the enterprise are investigated, factors influencing competitive strategy of the enterprise are identified. Methodological tools for evaluating the effectiveness of competitive strategy are found out.

**In Part 2** “Research Of Current State And Trends Of Competitive Strategy Of LLC “Ukrtransagent” In International Economic Activity” the financial and economic activity of LLC "UKRTRANSAGENT" are analyzed. The external environment of LLC " UKRTRANSAGENT " is monitored. Competitive strategy of LLC "UKRTRANSAGENT" in international economic activity is analyzed.

**In Part 3** “Improvement of Competitive Strategy of LLC “Ukrtransagent” In International Economic Activity” Reserves in improving of competitive strategy of LLC "UKRTRANSAGENT" are revealed. Strategic directions for increasing of competitiveness of LLC "UKRTRANSAGENT" in international markets are defined. Mid-term forecast financial indicators of LLC "UKRTRANSAGENT" are calculated.

**The conclusions** contain theoretical positions, generalize the results of the analysis of the object of the study and specify proposals for improving the effectiveness of the imported strategy of the enterprise.

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## INTRODUCTION

Development of processes of globalization in the modern world caused toughening of methods of competition. Need of a comprehensive investigation of the problems, connected with formation of competitiveness of firms, development of strategy of behavior in the world market amplifies. Today the largest multinational corporations and the whole branches (for example, telecommunications, electronics, automotive industry, aircraft) develop on the basis of global competitive strategy. Distribution of global strategy is promoted by rapid development of information technologies, liberalization of the markets.

Relevance of this work is that nowadays it is necessary to know approaches to forming of its competitive strategy for successful development of each firm as the competition represents one of the main mechanisms that regulate market economy. Competitive strategy should provide competitive advantages, orient the entity to profit earning and provide its stable financial position.

In modern market conditions competitive strategies play an important role at the enterprise. This marketing tool allows the entity to achieve competitive advantages. Besides, the efficiency of competitive strategy influences all business competitiveness. At the same time, the paramount factor, influencing the competitive strategy of the entity is the price. Competitive strategy acquire special relevance in the conditions of the existing economic crisis.

In the developed adverse economic conditions each company should use such marketing tools as effective competitive strategy and reasonable price policy for overcoming of negative consequences of crisis.

At this time only strategic long-term awareness, active actions with connection of various network interactions and use of new opportunities can give chance of survival.



Theoretical, practical and methodological aspects of competitive strategy of firms in the world markets are investigated in works of many domestic and foreign scientists. It is known, that the American economist professor M. Porter is recognized as the founder of the concept of competitive strategy. Also many foreign scientists deal with problems of studying of the theory of competitive strategy. It is possible to distinguish from them such as A. Thompson, A. Strickland, J. Trout, E. Rice, K. Krippendorf, G.L. Azoyev, A.Yu. Yudanov, M.I. Knytt, G.I. Olekhovich, G.S. Rakhimova, G.G. Guseynov etc. However, questions of strategy of firms in the world markets remain insufficiently studied owing to what need of a comprehensive investigation of the matters amplifies.

The purpose of the final qualifying paper is to analyze the competitive strategy of LLC “Ukrtransagent”, define its strengths and weaknesses, and find opportunities of developing of performance of enterprise, research main methods of increasing of competitiveness in international markets.

The tasks of the work are the following:

- to define the essence of definition «competitive strategy» in trade and economic spheres;
- to identify the main components of competitive strategy in trade and economic spheres;
- to determine the influencing factors of competitive strategy in international economic activity;
- to reveal methods of assessment of competitive strategy efficiency;
- to analyze financial and economic activity of the enterprise;
- to assess external environment of the firm;
- to analyze competitive strategy of LLC “Ukrtransagent” in international economic activity;
- to research reserves in improvement of competitive strategy;
- to define strategic directions of increasing competitiveness of LLC “Ukrtransagent” in international markets;

- to calculate mid-term forecast indicators of the company considering proposed measures.

The object of the article is a process of competition in international markets with the objective of gaining of competitive advantages for enterprises.

The subject of the article is the theoretical and practical aspects of improving of competitive strategy of LLC “Ukrtransagent” in the industry of logistics services.

In this work such methods of research are used: comparison, modeling, synthesis, theoretical analysis and synthesis, abstraction, specification and idealization, induction and deduction, analogy, classification, generalization.

The structure of work is caused by a subject, the purpose and research tasks. Work consists of introduction, three chapters and the conclusion.

Introduction discloses relevance, determines extent of scientific development of a subject, an object, a subject, the purpose, tasks and methods of a research, discloses the theoretical and practical importance of work.

In first chapter theoretical aspects of the enterprise competitive strategy formation in international economic activity are revealed. In second chapter current state and trends of competitive strategy of LLC “Ukrtransagent” is researched in international economic activity. In third chapter the ways to improvement of competitive strategy are researched in international economic activity.

In the conclusion the research results are summed up, final conclusions on the considered subject are created.

# **PART 1**

## **THEORETICAL ASPECTS OF THE ENTERPRISE COMPETITIVE STRATEGY FORMATION IN INTERNATIONAL ECONOMIC ACTIVITY**

### **1.1. Essence and Components of Competitive Strategy in International Economic Activity**

Development of processes of globalization in the modern world caused toughening of methods of competition, owing to what need of a comprehensive investigation of the problems, connected with formation of competitiveness of firms, development of strategy of behavior in the world market amplifies. Today the largest multinational corporations and the whole branches (for example, telecommunications, electronics, automotive industry, aircraft) develop on the basis of global competitive strategy. Distribution of global strategy is promoted by rapid development of information technologies, liberalization of the markets.

The world market imposes very strict requirements to competitiveness of firms. The international business faces a number of difficulties: differences in culture, problems with exchange rates and transfers of currencies, difficulties of the taxation and pricing, adaptation of products to requirements of foreign consumers, difficulties of the choice of optimum structure of the organization for running of the international business, a high policy risk. At the same time the basic principles of strategy of competitiveness of firms is the competitive advantage, coming from improvement of technology, introduction of innovations, financing of research and development. Also competitive advantage is often created in market niches to which large competitors did not show interest owing to their insignificant profitability and small capacity at the time of exploring [70].

The problem of the choice of the most expedient competitive strategy is rather difficult task, demanding considering of a number of circumstances. So, the choice of the most suitable competitive strategy depends on opportunities, which the functioning enterprise in the target market has. If it possesses the outdated

equipment, insufficiently qualified managers, workers, has no perspective technical novelties, but in it low salary and other costs of production are big, then the most suitable strategy in this case is "orientation to expenses" [12].

If raw materials and materials cost very much, but at the enterprise there is a good equipment, excellent design developments or inventions, and workers are highly qualified, then application of strategy of ensuring competitiveness is possible at the expense of the organization of release of unique goods or with high level of quality, which will justify high price in the eyes of buyers.

All types of competitive advantages of the company, depending on complexity of their achievement, can be divided into two groups:

- advantages of a low order;
- advantages of a high order.

Advantages of a low order are connected with a real possibility of use of rather cheap resources:

- labor;
- raw materials, components;
- different types of energy, etc.

The low order of competitive advantages is usually connected with the fact, that they are very unstable and can be easily lost or owing to increase in prices and the salary or because the main competitors in the same way can use cheap productive resources (or to buy up). In other words, advantages of a low order are advantages with small stability, incapable to provide advantages over competitors for a long time [26].

Existence of unique production; use of the most advanced technologies; high level of management; fine reputation of the enterprise are accepted to carry to advantages of a high order. If competitive advantage is reached, for example, due to release on the market of the unique production, based on own design developments, then competitors need to develop similar products for overcoming such advantage, or to offer something better, or to catch secrets with the smallest expenses. All these ways demand big expenses and time from the competitor. It

means that for some time the enterprise, which entered the market with essentially new goods, falls into a leading position and is inaccessible to competitors. It is also fair and applicable to unique technologies, both to "know-how", and to high quality experts. It is difficult to reproduce them quickly enough. One more very important advantage in the market — is a reputation (image) of firm. The given competitive advantage is reached with very big work, for rather long period and demands big expenditure of money for its maintenance.

"The company needs to reach leadership in one of three areas: in a product, in the price, or a narrow market niche, if it aims to bring the stable growing income" — Michael Porter considered, submitting to the whole world the theory of the effective competition. We will consider the basic competitive strategy of the enterprise after Porter and we will offer the action plan for the company which has not defined the strategic direction of development of business yet. Each type of the competitive strategy considered by us is used actively in marketing worldwide. The presented classification of strategy of the competition is very convenient and will be suitable for the company of any size [32].

The leading professional in the field of the strategy of the competition is Michael Porter. Throughout all the professional activity he was engaged in systematization of all models of the competition and development of accurate rules of competition in the market. Modern classification of competitive strategy after Porter is given in table 1.1.

Let's understand a concept and essence of competitive strategy for business. The strategy of the competition represents the list of actions, which is carried out by the company for receiving higher profit, than competitors. Due to effective competitive strategy the company attracts consumers more quickly, incurs lower expenses for attraction and deduction of clients, receives higher standard of profitability (marginality) from sales [39].

Table 1.1

Types of Competitive Strategies

		Advantage	
		Advantage in expenses	Advantage in products
Market	Wide market	Leadership in expenses	Differentiation
	Narrow market	Focus on expenses	Focus on differentiation

Source: [48].

Porter allocated 4 types of basic competitive strategy. The choice of type of competitive strategy depends on opportunities, resources and ambitions of the company in the market. In a basis of Porter`s matrix of competitive strategy 2 parameters are put: volume of the market and type of competitive advantage. Types of the market can be wide (a large segment, the whole commodity category, the whole branch) or narrow (the small market niche accumulating needs of very narrow or specific target audience). It can be two options of the type of competitive advantage: low cost of goods (or high profitability of production) or wide variety of the range. On the basis of such matrix Michael Porter allocates 3 main strategies of competitive behavior of the company in branch: leadership in expenses, differentiation and specialization:

- the competitive strategy of leadership in a product or differentiation means creation of unique goods in branch;
- the competitive strategy of leadership in expenses or price leadership means a possibility of the company to reach the lowest level of expenses;

- the competitive strategy of focusing or leadership in a niche means concentration of all efforts of the company on a certain narrow group of consumers.

Such classification of Porter`s strategy of the competition is very generalized and suggests to choose to business competition type, which will become a basis for decision-making in the field of the assortment, the prices, packing, promoting and distribution of goods [48].

Porter mentions "five competitive forces" which the company has to overcome on the way to receiving higher return from investments and steady positions in the branch. Let's list these forces, they can work both together, and separately:

- 1) the market competition – rivalry of the sellers working at this market;
- 2) influence of potential competitors, that is threat of entry into the market of other sellers, who will offer similar goods (service);
- 3) the commodity competition – influence of substitutes (analogs);
- 4) influence of consumers (buyers) – a possibility of economic impact on the company from their party (demand, change of purchasing power, etc.);
- 5) influence of suppliers – a possibility of pressure upon the company from suppliers by economic levers.

The basic strategies, offered by Porter, are directed to minimization of negative impact of these five forces and providing steady income to the company due to leadership in any area: price, product or "niche" [32].

Let`s look at advantages of each strategy.

#### 1. Leadership in expenses.

- The expenses are lower, the product cost and finally profit on its sale are lower. According to Porter the companies, which adopted the strategy of minimization of expenses in comparison with expenses of competitors ensure leadership in the market by protection against negative impact of all five competitive forces, as low expenses:

- protect the company from competitors: fight for the most favorable terms of transaction will reduce its profits, but only till the moment, when profits of the competitor, taking the following position by efficiency in the market will be exhausted. It is clear, that less effective companies in the conditions of "war of expenses" will bowl off first;
- protect the company from the most influential customers: everything that remains to them is to beat down the prices of goods of the given company to the price level of the closest competitor;
- protect the company from suppliers: when the prices of the purchased resources grow, it can flexibly change measures of counteraction to suppliers;
- generate a high "entrance threshold" for the accession of new competitors to branch, which consists of advantage on expenses and/or scale effect;
- as a rule, put production of the company in more advantageous position concerning analogs-substitutes [52].

The organization, which relied on the strategy of minimization of expenses, needs to monitor carefully changes in branch technologies, preferences of consumers and to be ready to carry out necessary modernization or even full replacement of production capacities, or to introduce amendments in the nomenclature of the production in an acceptable time limit. Otherwise it risks to fail. Usually the output, at which the minimum product cost reached, is high in most branches. Therefore only large organizations can get access to advantages of scale effects, organizing mass production and mass promoting and sale.

## 2. Strategy of differentiation: the competition on a product.

The company, working with this strategy, aspires, first of all, to make its product to be unique in something (technical characteristics, the highest reliability, exclusive material, lack of the disputable ingredients applied by competitors, etc.).

And as different goods can possess various unique characteristics, several companies, working on this strategy, can get on at once at narrow top of competitive "pyramid". Let's note that it automatically excludes the first strategy,



because differentiation demands growth of costs for research and development, directly the production technology, for service, for marketing, etc [60].

How does this strategy help to resist to five forces?

- protection against competitors: the consumers loyal to this trademark, they are unlikely to "leave to another company" (a classical example – "fans" of the brand of Apple);
- the uniqueness is quite often protected by patents, but even if it is not, the "differentiated" product erects serious barriers on the way of new players;
- protection against suppliers: differentiation means higher profitability, which allows to save financial reserves for research of other sources of delivery of resources;
- protection against analogs: the unique goods difficultly or can almost not find replacement;
- and, therefore, the choice of consumers contracts, and they lose an opportunity to beat down the prices of these goods.

Two types of differentiation are possible:

- horizontal – at which the price remains approximately identical, and the average level of income of consumers is identical;
- vertical – at which both the prices, and the average level of income of consumers are various [70].

The strategy of differentiation is appropriate, when requirements and tastes of buyers too differ from the buyer to the buyer and therefore cannot be satisfied by production of standard goods. The producer, which wants to apply the principle of differentiation successfully, has to study behavior of consumers carefully for the purpose of clarification of opinion of clients, concerning value and the importance of signs. Then the company differentiates the production, according to one or several signs, thereby stimulating customers to buy the offered production. Competitive advantage is a consequence of certain unique abilities of firm to satisfy needs of customers, who give preference to one or several signs of products. Successfully carried out differentiation allows firm to establish the maximum

margin on the production; allows to sell the bigger volume of production, as the additional number of consumers is attracted; allows to do a trade margin of firm more popular among customers, because some number of consumers becomes attached to the differentiating signs.

The main problems, arising at realization of strategy of differentiation: high costs of advertizing activity; emergence of goods-simulators; strengthening of price aspect in the competition [70].

### 3. Strategy of concentration: the competition in "niche".

It works in very narrow segment, it is not a "small group of consumers": certain assortment, market, specific group of buyers, etc. For example, everybody likes to make photos, but the company X makes exclusively professional photography equipment, which costs respectively. Thus, the company works with a narrow range of extremely specific needs, satisfying inquiries of buyers of a certain narrow group, without attracting buyers with the low price or uniqueness of goods.

It is important to note, that the strategy of concentration is combined with one of previous: in the niche the company can become either the leader in decreasing of expenses, or the leader in characteristics of the product, which does not have analogs and therefore is preferred by consumers of this narrow segment.

There are some examples of using this strategies.

1. Cost leadership. Micromax smart phones and mobile phones are providing good quality products at an affordable price, which contain all the features, which a premium phone like Apple or Samsung offers.

2. Differentiation leadership. BMW offers cars, which are different from other car brands. BMW cars are more technologically advanced, have better features and have got personalized services.

3. Cost focus. Sonata watches are focused towards giving wristwatches at a low cost as compared to competitors like Rolex, Titan, Omega etc.

4. Differentiation focus. Titan watches concentrates on premium segment, which includes jewels in its watches [11].

Countries also use competitive advantages. For example, China uses cost leadership. It exports low-cost products. It can do this, because remuneration of workers is not high, standard of living is lower, than in developed countries and government holds the value of yuan lower, than dollar [1].

If the firm does not choose accurate direction for competitive strategy, it "gets stuck in the middle", works not effectively and acts in extremely adverse competitive situation. The company without the accurate strategy of the competition loses a market share, inefficiently operates investments and receives low rate of return. Such company loses the customers interested in low price, so is not capable to offer them reasonable price without loss of profit; and on the other hand it cannot receive the customers interested in specific properties of a product as does not concentrate efforts on development of differentiation or specialization [48].

If company still did not decide on a vector of competitive strategy, then there are 3 consecutive steps (table 1.2).

*Table 1.2*

Algorithm of Choosing a Competitive Strategy

Sequence	Description of the stage
First step	To make the fundamental decision and to choose one of the directions of strategy, based on opportunities, strengths and weaknesses of a product
Second step	To develop steady competitive advantage or a unique selling proposition of a product, which will emphasize the chosen direction of the competition.
Third step	To define key competitors, from whom it is planned to take away a market share, and competitors who pose a threat of the company; and to create the plan of tactical actions for increasing in competitiveness of business.

Source: [48].

## 1.2. Factors Influencing the Competitive Strategy of Enterprise

It is very important to notice, that there is a variety of factors, which influence the choice of competitive strategy of a company. They are systemized together with their components in table 1.3.

A number of factors exert impact on competitiveness of the enterprise:

1. Dynamics of volume of long-term demand. Increase or reduction of long-term demand is an important factor at decision-making on investment for increase in productive enterprise capacity. Rise in long-term demand attracts the new enterprises on the market, and decline in demand on the contrary causes outflow of the enterprises. These changes represent the reason of change of needs of the consumer to service, creation of new sales channels, change in the range of new goods and services. Updating of a product of industry is key driving force. It influences production methods, effective volume of release, marketing expenses, distribution channels;

*Table 1.3*

Factors Influencing The Choice of Competitive Strategy

Factors	Components
Existence and capability with resources in the market	<ul style="list-style-type: none"> <li>▪ capability with the equipment and buildings;</li> <li>▪ technologies;</li> <li>▪ the organization of the market</li> </ul>
Capability of the enterprise with material resources	<ul style="list-style-type: none"> <li>▪ logistics of the enterprise;</li> <li>▪ number of staff, reliability of suppliers and contractors;</li> <li>▪ character of the relation with suppliers and consumers</li> </ul>
Capability of the enterprise with staff	<ul style="list-style-type: none"> <li>▪ turnover of staff at the enterprise;</li> <li>▪ need for new specialties and employees;</li> </ul>

	<ul style="list-style-type: none"> <li>▪ main relations in collective.</li> </ul>
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Source: constructed by author on [42].

*Continuation of Table 1.3*

Factors	Components
The main enterprise management system, form of the enterprise: character and form of ownership of the enterprise	<ul style="list-style-type: none"> <li>▪ number of levels of management at the enterprise;</li> <li>▪ distribution of basic rights and obligations of the enterprise;</li> <li>▪ the main rules for management of the enterprise and expenses;</li> <li>▪ methods of management at the enterprise;</li> <li>▪ management styles at the enterprise;</li> <li>▪ system of communications;</li> <li>▪ the scheme of information streams, their effective use in the presence of the database and information systems at the enterprise.</li> </ul>
Management efficiency at the enterprise	<ul style="list-style-type: none"> <li>▪ profitability of costs;</li> <li>▪ rationality of using of the fixed and revolving funds at the enterprise.</li> </ul>
Efficiency and business activity at the enterprise, ability of the enterprise to provide goods and services on the market	<ul style="list-style-type: none"> <li>▪ level of loading of employees;</li> <li>▪ reliability of suppliers;</li> <li>▪ speed of reaction on performance;</li> <li>▪ scopes of supply of raw materials for achieving of objectives of the enterprise;</li> <li>▪ investment attractiveness.</li> </ul>
Competitiveness of the enterprise in the market	<ul style="list-style-type: none"> <li>▪ quality of goods and services;</li> <li>▪ the price of the provided services.</li> </ul>
Financial state of the	<ul style="list-style-type: none"> <li>▪ indicators of a property status of the enterprise;</li> </ul>

enterprise	▪ indicators of liquidity, solvency and stability of the enterprise.
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A number of factors exert impact on competitiveness of the enterprise:

1. Dynamics of volume of long-term demand. Increase or reduction of long-term demand is an important factor at decision-making on investment for increase in productive enterprise capacity. Rise in long-term demand attracts the new enterprises on the market, and decline in demand on the contrary causes outflow of the enterprises. These changes represent the reason of change of needs of the consumer to service, creation of new sales channels, change in the range of new goods and services. Updating of a product of industry is key driving force. It influences production methods, effective volume of release, marketing expenses, distribution channels;

2. Technological innovations. Frequent technological innovations in production methods, the amount of investments allow to increase value of effect of life cycle of goods. It can cause essential changes in requirements to the size and the number of the enterprises, which are successfully operating in the market;

3. Marketing innovations. Periodically firms offer the market the production, using new ways and methods with the objective to increase consumer interest, to push demand, to reduce costs of a unit of production. Thus, they set in motion new forces which change conditions of the competition and a position of firms of rivals;

4. Dynamics of leadership. It means an entrance to the competition and an exit from it major companies. That is new round of competition: redistribution of roles and allocation of new key players, change of structure of the market;

5. Diffusion of achievements. If the new technology becomes known to rivals, suppliers, distributors, consumers, then barriers to entry into branch decrease;

6. Dynamics of efficiency. With emergence in branch of new effective volumes of production, which will reduce an unit cost, the large enterprises can force other enterprises to the strategy of "the fixed growth";

7. Consumer preferences. Often the growing number of customers decide, that the consumer goods at low prices entirely satisfy to their tastes and preferences as well as the goods with higher prices giving the chance of the choice;

8. State regulation of the market. Actions of the state through the institutions, including regulation of the economic relations. Also changes of state policy can influence the market and competitive conditions;

9. Determination growth. Means reduction of uncertainty and risk. New branches are characterized by big uncertainty of data on potential opportunities of the market [16].

Factors of competitiveness of the organization are subdivided into external (manifestation in small degree depends on the organization) and the internal (almost entirely determined by the management organizations).

External factors:

- state export and import policy;
- level of economic development of the country;
- the state economic policy in the export and import countries;
- efficiency of functioning of the capital markets and quality of financial services;
- the level of development of infrastructure in the country;
- development of scientific and technological potential;
- existence and skill level of human resources;
- depreciation, tax and financial-credit policy, including various state and interstate grants and subsidies;
- customs policy and import duties, quotas;
- system of the state insurance;

- participation in the international division of labor, development of financing of national programs for ensuring competitiveness of the enterprise;
- state system of standardization and certification of production and systems of its creation;
- state supervision and control: mandatory requirements of standards, rules of obligatory certification of production and systems, metrological control;
- legal protection of interests of the consumer;
- main characteristics of the market: its type and capacity; existence and possibilities of competitors;
- activity of public and non-state institutes [16].

#### Internal factors:

- production and organizational structure of the enterprise;
- technologies;
- accounting and regulation of productions;
- skill level of personnel;
- quality of management;
- informational and methodical base of management;
- equipment;
- functioning of a quality management system;
- level of strategic management;
- outsourcing application scales;
- development of marketing (dealer) network;
- degree of security of confidential information (safety of system of information support);
- scales of use of modern information technologies;
- use of the Internet for sale of production;
- orientation to the economy based on use of knowledge (economy of knowledge);
- regularity of attraction of investments into production development;



- the sizes of the created constant and loyal client base;
- scales of use of achievements of scientific and technological progress;
- reputation (goodwill) of the enterprise;
- motivation of personnel on improvement of quality of goods;
- the most essential strategic competitive advantages;
- timeliness of carrying out of restructuring (merge, takeover, separation);
- the cost of the enterprise (business) that reflects its investment attractiveness [14].

Possibilities of direct impact of the enterprise on factors of the external environment are rather limited, because they act in relation to the enterprise. Real opportunities of ensuring competitiveness of the enterprise are in the sphere of factors of the internal environment. However, it is possible to influence these factors with different degree of efficiency. As the rule, considerable capital investments and a long payback period are demanded by innovative changes of technical and technological working conditions. However, it should be noted, that at the high level of development of scientific and technical progress, the production capacity of the enterprises is practically defined by the modern technologies, used in production [9].

The technologies, applied at the enterprise, form requirements to quantitative and qualitative structure of the fixed business assets, the system of communications, structure and qualification of industrial and production personnel, the used natural resources (water, fuel, etc.), the system of information processing. In turn, the above-named requirements determine the production capacity of the enterprise, quantity and quality of the current assets that are necessary for production realization.

At the same time for ensuring competitiveness of the enterprise it is also necessary to pay attention to formation of the system of management that is adequate to these conditions at the enterprise. Therefore, among internal factors of competitiveness of the organization level of quality of management of the organization, i.e. level of training of managers, the ability is correct to conduct

business operations in the conditions of continuous change in the market plays an important role. These factors are considered to be key in determination of competitiveness of the organization in the market [14].

Very few businesses have the same competitive strategy year after year. Your business and the market are constantly evolving, with new companies and products entering the arena all the time. Strategy for staying ahead of competition has to change to meet new goals. It doesn't mean previous strategy was wrong; it just means company have different problems to compete with now and must be able to adapt to new situation quickly.

Though firm can focus its strategy on delivering more value to customers than competitors, what customers value may change. Firm has to continually survey market environment to see if new customers are replacing existing ones in target markets, customer expectations are changing or customers want different levels of service than they did before. Changes in the composition of target markets and changes in customer needs are factors that require adjustments to strategy to respond to the new customer requirements.

Company may have based parts of competitive strategy on using a particular supplier if the goods it buys from the business have unique characteristics. If such a supplier goes out of business or partners with one of competitors, company has to adjust strategy to emphasize different competitive advantages [14].

For example, if the supplier in question had the lowest prices and firm were competing on price, it may have to raise its prices and promote products as the least-expensive ones that can fulfill certain advanced functions.

Products become obsolete as they are overtaken by technological developments, replaced by improved products or displaced by products that introduce new functions and features. If products are older, company can adjust competitive strategy to reduce the prices of the existing products and introduce newer versions at higher prices. Firm can promote the older versions as tried-and-true product lines while taking advantage of markets for the latest technology as well.

The behavior of competitors is a major factor affecting strategy. In addition to evaluating the actions of existing competitors, company has to check for new entrants into market. At the same time it is adjusting your strategy, competitors are reacting to actions. To get the most advantage from strategy changes, company has to think ahead to how each competitor is likely to react to adjustments. Firm can then proceed with those elements that result in an overall more favorable competitive environment.

Michael Porter directly connects competitiveness factors with production factors. He presents all factors, defining competitive advantages of the enterprise and industry in the form of big groups [9].

- Human resources — quantity, qualification and cost of labor.
- Physical resources — quantity, quality, availability and cost of sites, waters, minerals, forest resources, sources of the hydroelectric power, fishing grounds: climatic conditions and geographical location of the country of basing of the enterprise.
- Resource of knowledge — the sum of scientific, technical and market information. Influencing competitiveness of goods and services and concentrated at the universities, the state industrial scientific research institutes, private research laboratories, databanks about researches of the market and other sources.
- Monetary resources — quantity and cost of the capital, which can be used on financing of the industry and the separate enterprise. Naturally, the capital is non-uniform. It has such forms as bad debt, a provided debt, actions, the venture capital, speculative securities. There are the operating conditions at each of these forms. They will define specifics of economic activity of subjects in the different countries, taking into account various conditions of their movement in the different countries.
- Infrastructure — type, quality of the available infrastructure and the payment for use of it. Infrastructure influences the nature of the competition: the transport system of the country, a communication system, post services, the

transferring of payments from bank to bank inside and out of borders of the country, a health care system and cultures, housing stock and its attractiveness from the point of view of accommodation and work [9].

All factors influencing competitiveness of the enterprise, M. Porter suggests to divide into several types: the main and developed.

Main factors are natural resources, climatic conditions, a geographical location of the country, unskilled, semi-skilled labor, the debit capital.

The developed factors — modern infrastructure of exchange of information. Highly qualified personnel (experts with the higher education, experts in the field of the personal computer) and the research departments of the universities, which are engaged in difficult hi-tech disciplines.

### **1.3. Methodical Approaches to Assessment of Competitive Strategy Effectiveness**

The methodological complexity of this management process consists of such factors:

- First, there isn't always a base for comparison;
- Secondly, the markets are subject to fluctuations and aren't described in the long period by regular methods of mathematical statistics. At such assessment there is always a big share of subjectivity.

The analysis shows that evaluation methods of competitive strategy can significantly differ on accuracy, on complexity and also depending on the forecast of growth rate of the company in the market due to the developed strategy. Approaches to assessment of competitive strategy depend on the subject of assessment and its purpose. If it is the investor, then the attention to financial performance of strategy is paid, if it is the owner – on a surplus of market capitalization of firm, if the hired top manager, so the attention is focused on the

social and market purposes connected with the firm place in structure of the market and public consciousness [54].

In the modern economic conditions, competition takes place on a specific background processes of internationalization of the production and circulation, while the national control of transboundary movements of goods, capital and labor is becoming less effective. The current global market space is becoming an arena of competition of large multinational companies which are spreading their cultural and economic stereotypes worldwide.

The analysis shows that there are such tools of assessment of competitive strategy:

- evaluation method of chances and risks;
- an evaluation method by analogy with the investment project;
- method of creation of the scenario.

Assessment of chances and risks is based on expert evaluations. It reduces probability of exact determination of required results. There is a statistical regularity between ratio size "chances – risks" and type of strategy [44].

The world practice showed that competitive strategy "old goods – the old market" has the best ratio of chances and risks (using a matrix of strategy of Ansoff) - 80%:20% (figure 1.1). In process of complication of the purpose and tasks of competitive strategy this ratio worsens, and for strategy "old goods – the new market" it averages 60%:40%.

		Description of product	
		existing product	new product
Description of market	existing market	strategy of penetration	strategy of product development
	new market	strategy of market development	strategy of diversification

Figure 1.1. Ansoff's Matrix of Strategy

Source: [56].

Strategy "new goods – the old market" has the corresponding ratio of 40%:60%. The competitive strategy based on diversification, "new goods – the new market" has the worst value, it is 20%:80%.

Thus, riskiness of strategy, probability of its success in the market are determined by type with which also costs for its development and implementation correlate. They increase in process of complication of type of competitive strategy and lowering of a ratio "chances risks". The analysis and generalization of statistical data allow to determine an approximate cost structure depending on the competitive strategy type [54].

The modern world is characterized by a high level of economic activity in its different manifestations and various dynamic changes that affect socio-economic development of the society. In such conditions, competition is the main driving force of development of economic entities. As a consequence, the problem of increase of competitiveness of economic entities, from private companies to the largest transnational companies (TNCs) and states' economies as a whole is of high

scientific and practical significance in the modern dynamically changing world. Research in this direction is presented by numerous works by leading scholars and practitioners. These studies develop a variety of approaches to providing, enhancing and managing the competitiveness of economic entities, which strongly differ in the basic principles and ideology of the research, and from positions of the methods and models.

The study and the results obtained allow to note the following statement. Based on the analysis of modern approaches to the study of competition and competitiveness of economic entities a scientific and methodical approach to the assessment and management of competitiveness of companies, which are the central elements of economic activity in modern economies is developed.

The proposed approach relies on the use of methods of system approach and system analysis and takes into account the relationship between the state of the IC and control actions oriented to change of this state towards meeting a set of requirements from the standpoint of competitiveness.

It is obvious that without consideration for dynamics, even the most vital index value does not allow an ample insight into the analyzed process. At the other extreme, any information regarding the dynamics of an economic index makes a picture of a process many times more complete. In a methodological sense, the key principle of a dynamic approach is to perform calculations not only for the sample period but for the past period as well [54].

Resulting statistical series guarantee representativeness of the body of data and boost the reliability of evaluation of competitive ability of enterprises.

Therefore, a periodical monitoring of dynamics of the level of competitive ability as well as that of the rating of competitiveness is required along with defining the key factors of dynamics and the corresponding “bottlenecks”, proactive management of which could not only stabilize the tendencies of development and move to sustained growth of competitiveness, but also create new competitive advantages.

However, despite the diversity of ongoing research, the vast majority of them rely on a scientific approach involving primary research dealing with problems of competitiveness, and then practical implementation of the scientific principles in the activities of economic entities.

It is necessary to rely on all-statistical regularity not always as market conditions considerably differ, in particular: competitive pressure, price environment, demand, preferences and other social and economic parameters. It is recommended to perform assessment by methods of economic-mathematical modeling.

The resources limiting increase in production and sales are demand or market capacity. Delay of growth of firm is explained by the fact that its production volume "came across" limits of demand.

There are questions: first, in what degree the firm influences expansion of demand at the expense of marketing tools – advertizing, expansions of retail chain stores and so forth [44].

*Table 1.4*

Structure of Costs on Realization of Different Types of Strategies [44].

Stage	Costs of leader, %	Costs of follower, %
Research	1,5-2,0	1,3-1,5
Constructive	4,5-5,0	2,0-2,2
Conceptual	17,0-18,0	3,7-4,3
Distribution	75,0-77,5	92,0-93,0
Total	100	100

In competitiveness managing on the level of individual enterprises, the issues associated with industry and necessity to research specific conditions for operation of business entities that require development of original approaches to problem solving become particularly complicated. Therefore, an important task to solve this problem, in our view, is to create an appropriate methodological



framework of criteria and evaluation of competitiveness, choice of adequate instruments which meet the requirements of the modern market environment and contemporary trends in the industry, as well as the formation of specific criteria for evaluation and selection parameters of assessment – competitive advantages of companies.

Interaction of fast-growing firms increases the product demand of each of them, and, therefore, supports their growth, increasing attractiveness for the consumer of all complex of produced goods and services.

$$D = Q + I + S, \quad (1.1)$$

where: I – positive impact of firm on demand amount;

S – positive impact of synergy with other firms entering this cluster;

D – the complete potential of demand;

Q - possible amount of production in case of these resources[44].

The analysis of economic literature on this topic confirms ambiguity of methodical approaches to a competitiveness research which cause also plurality of the used techniques of its assessment. The indicator of competitiveness reflects essential results of activity and future opportunities of all services and divisions of the enterprise and also its ability to react to changes of factors of the external environment.

According to some researchers, the competitiveness of the enterprise is expressed through multilevel hierarchy of factors, where the top level (a market share) directly depends on the reached competitiveness, the second level defines its potential competitiveness, the third and fourth – quality of management, the fifth level characterizes the achieved economic results.

Classification of methods of assessment of competitiveness of the enterprise provides their division into separate groups on a certain sign. Most often the form of representation of results of assessment impacts methods that differentiate on groups:

matrix methods, graphic methods, methods of assessment of competitiveness of the enterprise for a market share, complex methods and also the methods based on the theory of the effective competition, the theory of firm and industry, the theory of quality of goods, theories of animators, theories to comparison with a standard [54].

The methods of determination of competitiveness of the enterprise based on the theory of the effective competition are rather widespread. Their supporters consider that in the analysis of the competition at the level of the industry it is necessary to pay attention to rivalry of the enterprises, as the result of their activity forms a condition of the industry. Within this theory there are two main approaches to determination of criterion of competitiveness: structural and functional.

According to structural approach position of the enterprise can be estimated on the basis of knowledge of level of monopolization of the industry that is concentration of production and the capital, barriers to potential competitors. The main advantages on the way of new competitors are: profitability of large-scale production, extent of differentiation of products; absolute advantages in costs of the existing enterprises; amount of the capital necessary for the organization of effective production.

Functional approach consists in definition of a ratio of expense/price, utilization of capacity, volumes of production, rate of return. According to this approach those enterprises are competitive, where production and sale of goods, effective management of finance are better organized [44].

The majority of existing methods of evaluation of competitive ability, proceeding from the comparative principle of competitive ability and contesting essence of business competition, are based on comparing one or another result of company's performance with a number of other enterprises with corresponding business activity. Therefore, a company (product, branch) rating compiled by certain criteria of competitive ability can be considered the main result of evaluation of competitive ability.

Diversity of approaches, factors and criteria of evaluation of competitive ability results in a number of rating methods [8]. However the reported ratings often provide rather scanty tools for analyst as regards to drafting measures to enhance the competitive ability. This is due to the fact that the rating system does not provide an integral quantitative instrument for measuring the level of competitive ability, but allows to operate only with the enterprise's position in the ranking list. Thus the ratings at issue do not allow defining the differences between the two concerned companies in terms of quantity, which results in inability to identify and analyze the factors of shaping the competitive ability of the company in question and its dynamics. Therefore a lack of relevancy of data as well as imperfection of applied ranking method do not allow using the reported ratings to evaluate competitive ability of business entities. For this reason the important task is to perform an econometric analysis of the existing ratings of competitive ability, to build a model of these ratings, and also to build model ratings on the basis of the defined key competitiveness criteria [54].

Building models helps to reveal significant factors on which the ratings are based. In fact, the results of analysis provide an answer to the question as to what does the concept of competitive ability imply.

According to the theory of the effective competition the most competitive enterprises are those, where work of all divisions and services is organized best of all. Assessment of overall performance of each of divisions assumes assessment of efficiency of use of resources by them. Assessment of four group indicators – criteria of competitiveness is the cornerstone of a method.

At assessment of competitiveness method of use of the competitive card of the market is also applied. It is under construction on two indicators: the market share occupied by the enterprise and its dynamics. It allows to allocate the groups of companies characterizing their status and differ in the level of use of competitive advantages and potential ability of the enterprises to resist to pressure of competitors.

The competitiveness of the enterprise can be estimated by a sociological method of poll of consumers and also method of expert evaluations which basis is subjective perception of the level of development of an indicator, depends on competence and experience of experts.

To sum up results of a research of methods and criteria for evaluation of competitiveness, it is possible to draw a conclusion that common fault of all analysed methods is presence of subjectivity: not all parameters which are applied at assessment on each of methods can be quantitatively expressed. At the same time mark assessment of discrete indicators can have not objective character that will affect reliability of the received integrated indicator [54].

It is expedient to offer the following principles of this assessment:

- Assessment of competitiveness of the enterprise has to be based on the fundamental principles of the system analysis.
- Level of competitiveness has to be estimated in dynamics that will provide a possibility of forecasting of changes in the future.
- The indicators entering selection have to reflect the most important aspects of activity of the enterprise, but at the same time degree of correlation of such indicators has to be minimum.
- Assessment of competitiveness has to be carried out on the basis of rationing of the corresponding indicators.
- The technique of assessment has to be feasible for the enterprise in practice, with condition of existence among the main competitors of various enterprises for activity scales, volume and structure of commodity weight.
- At assessment it is necessary to consider the reasons of quantitative and high-quality changes of activity of the enterprise for a possibility of adoption of management decisions.
- Assessment of competitiveness is possible only in the presence of objective techniques of organizational and economic actions for management of it.

## **CONCLUSIONS TO PART 1**

The world market imposes very strict requirements to competitiveness of firms. The problem of the choice of the most expedient competitive strategy is rather difficult task, demanding considering of a number of circumstances. All types of competitive advantages of the company, depending on complexity of their achievement, can be divided into two groups:

- advantages of a low order;
- advantages of a high order.

The low order of competitive advantages is usually connected with the fact, that they are very unstable and can be easily lost. In other words, advantages of a low order are advantages with small stability, incapable to provide advantages over competitors for a long time. Existence of unique production; use of the most advanced technologies; high level of management; fine reputation of the enterprise are accepted to carry to advantages of a high order.

The company needs to reach leadership in one of three areas: in a product, in the price, or a narrow market niche, if it aims to bring the stable growing income — Michael Porter considered. Porter allocated 4 types of basic competitive strategy. The choice of type of competitive strategy depends on opportunities, resources and ambitions of the company in the market. It can be two options of the type of competitive advantage: low cost of goods (or high profitability of production) or wide variety of the range. Michael Porter allocates 3 main strategies of competitive behavior of the company in branch: leadership in expenses, differentiation and specialization.

There is a variety of factors, which influence the choice of competitive strategy of a company:

- Existence and capability with resources in the market;
- Capability of the enterprise with material resources;
- Capability of the enterprise with staff;
- The main enterprise management system, form of the enterprise: character and form of ownership of the enterprise;

- Management efficiency at the enterprise;
- Efficiency and business activity at the enterprise, ability of the enterprise to provide goods and services on the market;
- Competitiveness of the enterprise in the market;
- Financial state of the enterprise.

The analysis shows that evaluation methods of competitive strategy can significantly differ on accuracy, on complexity and also depending on the forecast of growth rate of the company in the market due to the developed strategy. Approaches to assessment of competitive strategy depend on the subject of assessment and its purpose. The analysis shows that there are such tools of assessment of competitive strategy: evaluation method of chances and risks, an evaluation method by analogy with the investment project, method of creation of the scenario. Riskiness of strategy, probability of its success in the market are determined by type with which also costs for its development and implementation correlate.

## **PART 2**

### **RESEARCH OF CURRENT STATE AND TRENDS OF COMPETITIVE STRATEGY OF LLC “UKRTRANSAGENT” IN INTERNATIONAL ECONOMIC ACTIVITY**

#### **2.1. Analysis of Financial and Economic Activity of LLC “Ukrtransagent”**

Financial analysis is vital in estimation of business activity. In this chapter dynamics and structure of assets and liabilities will be covered. There is research of dynamics and structure of financial results that allows to define factors that influenced on forming of volume of net income (loss) of enterprise. On results of analysis there is a conclusion in relation to profitability or unprofitableness of activity of enterprise, tendencies of change of its financial results, of activity comparatively with previous periods, basic factors that influenced on forming of final results of economic activity of enterprise.

Financial analysis is the process of evaluating businesses, projects, budgets and other finance-related entities to determine their performance and suitability. Typically, financial analysis is used to analyze whether an entity is stable, solvent, liquid or profitable enough to warrant a monetary investment. When looking at a specific company, a financial analyst conducts analysis by focusing on the income statement, balance sheet, and cash flow statement.

On the Figure 2.1, it is seen that total fixed assets of the enterprise is declining year by year. It is connected with depreciation of fixed assets and enterprise doesn't invest in new assets. There is a big difference between 31.12.2014 and 31.12.2015 in a volume of fixed assets. There had been incomplete capital investments – 21 791 ths UAH, that became trade accounts receivable. It is a good sign, because receivables are more liquid assets. On the contrary total current assets are rising each year.

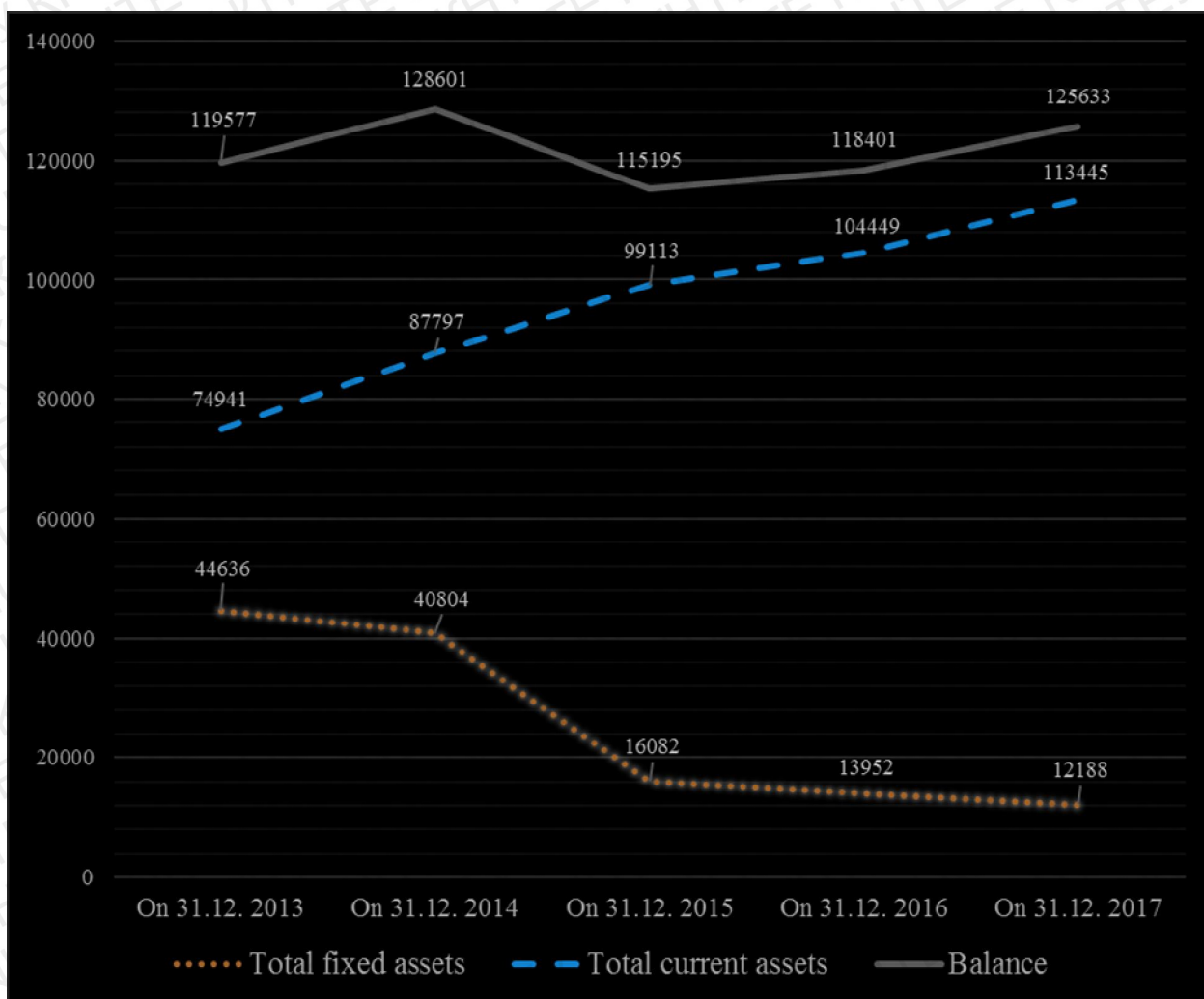


Figure 2.1. Dynamics of Assets on LLC “UKRTRANSAGENT” in 31.12.2013-31.12.2017, ths UAH

Source: constructed and calculated by the author on the basis of financial statements of LLC “UKRTRANSAGENT”

On the Figure 2.2, it is seen share of each element in total assets of enterprise.

The biggest share is trade accounts receivable (36,17%). The company is specialized on providing of services, so it's a normal situation. The second share is inventories (24,86%). Big assets on enterprise are also different types of receivables – with the budget (7,14%), for settlements (3,23%), other accounts receivable (17,36%). Fixed assets have share in this structure only in amount of 8,65%.



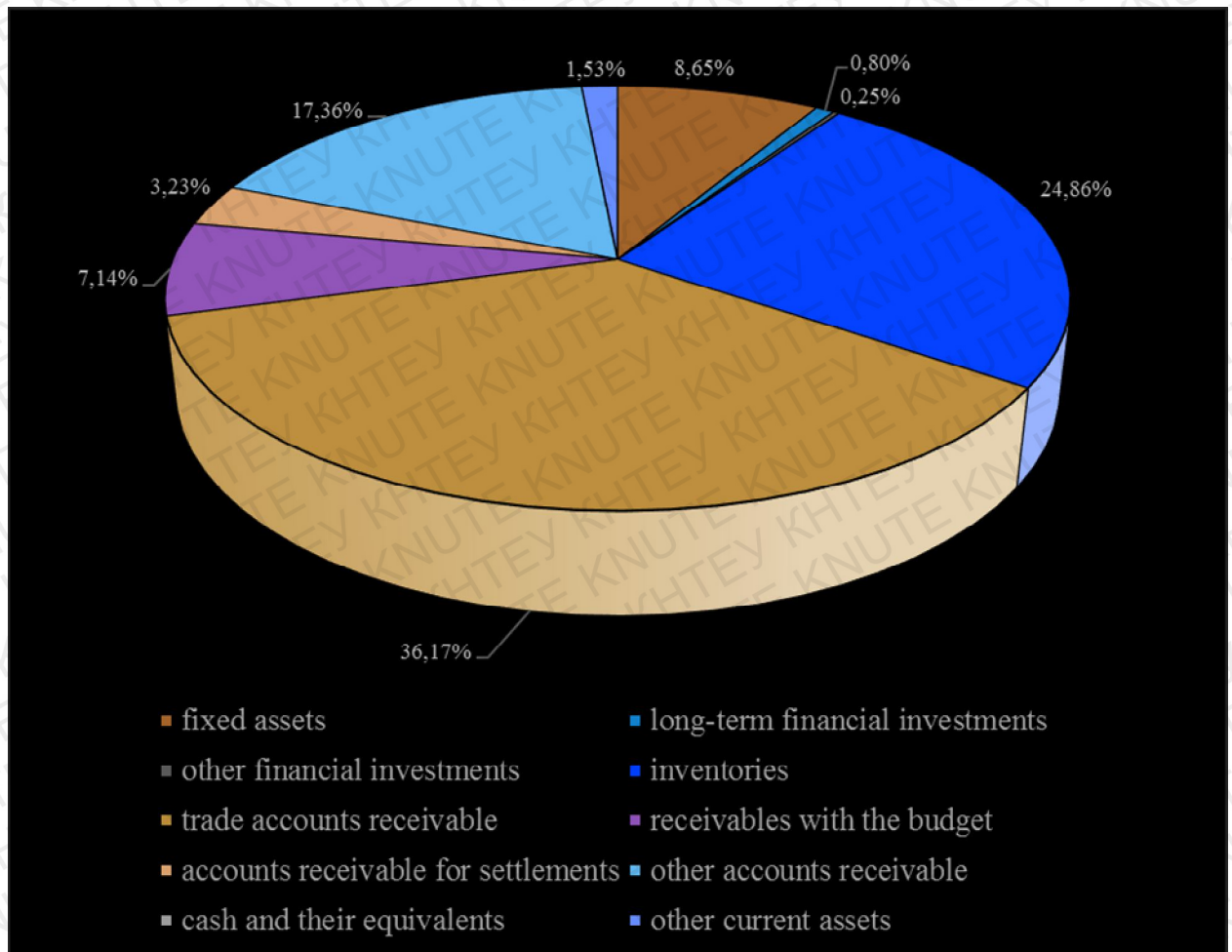


Figure 2.2. Structure of Assets on LLC “UKRTRANSAGENT” in 31.12.2017, %

Source: constructed and calculated by the author on the basis of financial statements of LLC “UKRTRANSAGENT”

On the Figure 2.3, there is a dynamics of liabilities in 31.12.2013-31.12.2017. Let’s take a look on total equity. There is the lowest rate of it in 31.12.2014 – 2989 ths UAH. Then there is a huge growth next year to 64590 ths UAH. The indicators of shareholder`s equity and reserve capital are similar each year. Difference is in retained profit. There is a declining on 58% in 2015 year. Next years retained profit is in the same level. And there is big declining in short-term liabilities this years - from 97817 to 1564 ths UAH in 2015 and 0 UAH next years. Therefore, there is a conclusion that enterprise started to use retained profit to close their middle-term loans. Long-term debt has only change in 2015 – from

23946 to 38000 ths UAH. The amount of it is the same in other analyzing years. Besides short-term loans, there is a growth in other elements of short-term liabilities – accounts payable for commodities, works, services, insurance, remuneration, calculations with the budget.

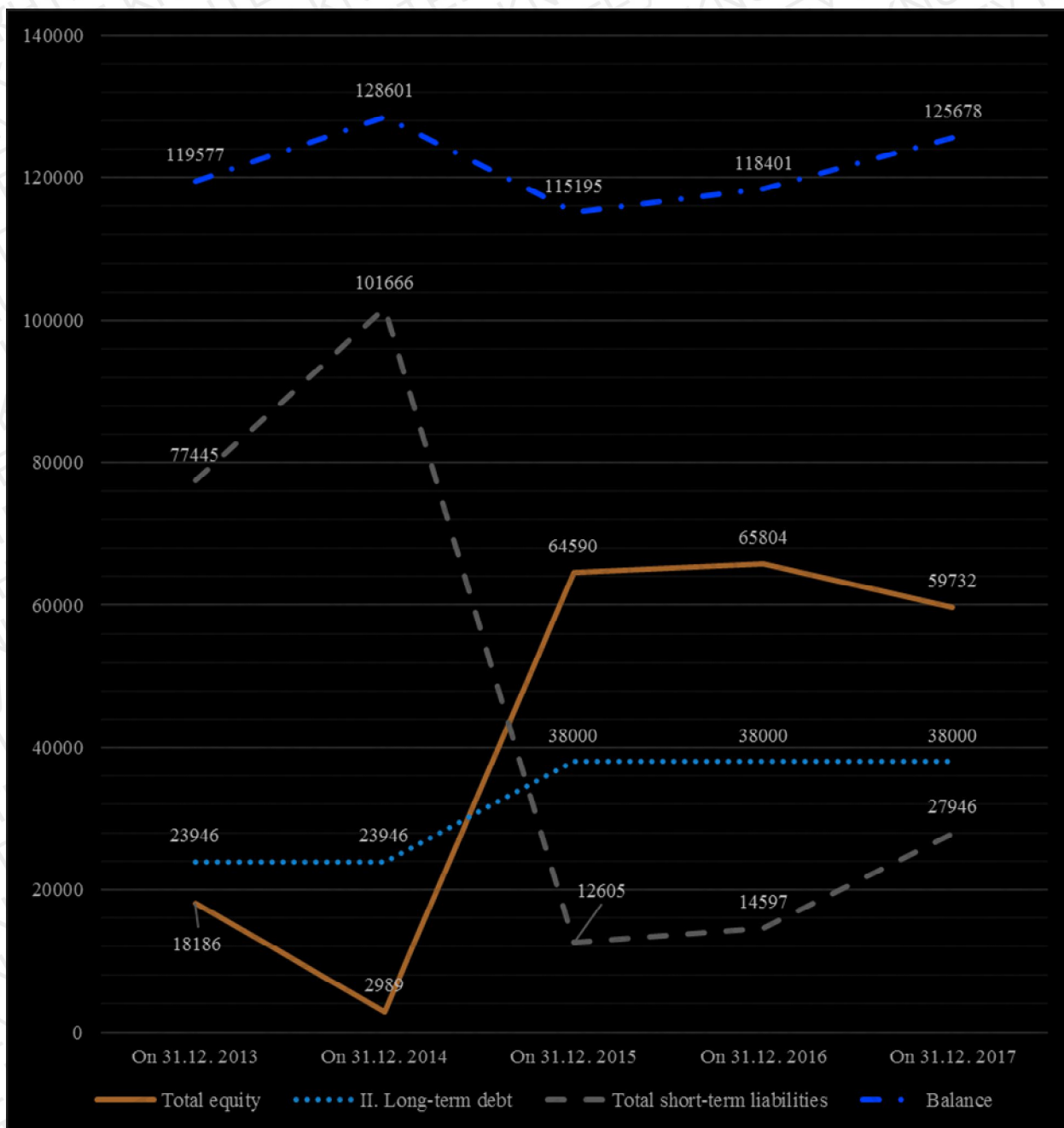


Figure 2.3. Dynamics of Liabilities on LLC “UKRTRANSAGENT” in 31.12.2013-31.12.2017, ths UAH

Source: constructed and calculated by the author on the basis of financial statements of LLC “UKRTRANSAGENT”

In structure of liabilities (Figure 2.4) total equity is 22,24%, long-term liabilities are 30,24% and short-term liabilities are 47,53%.

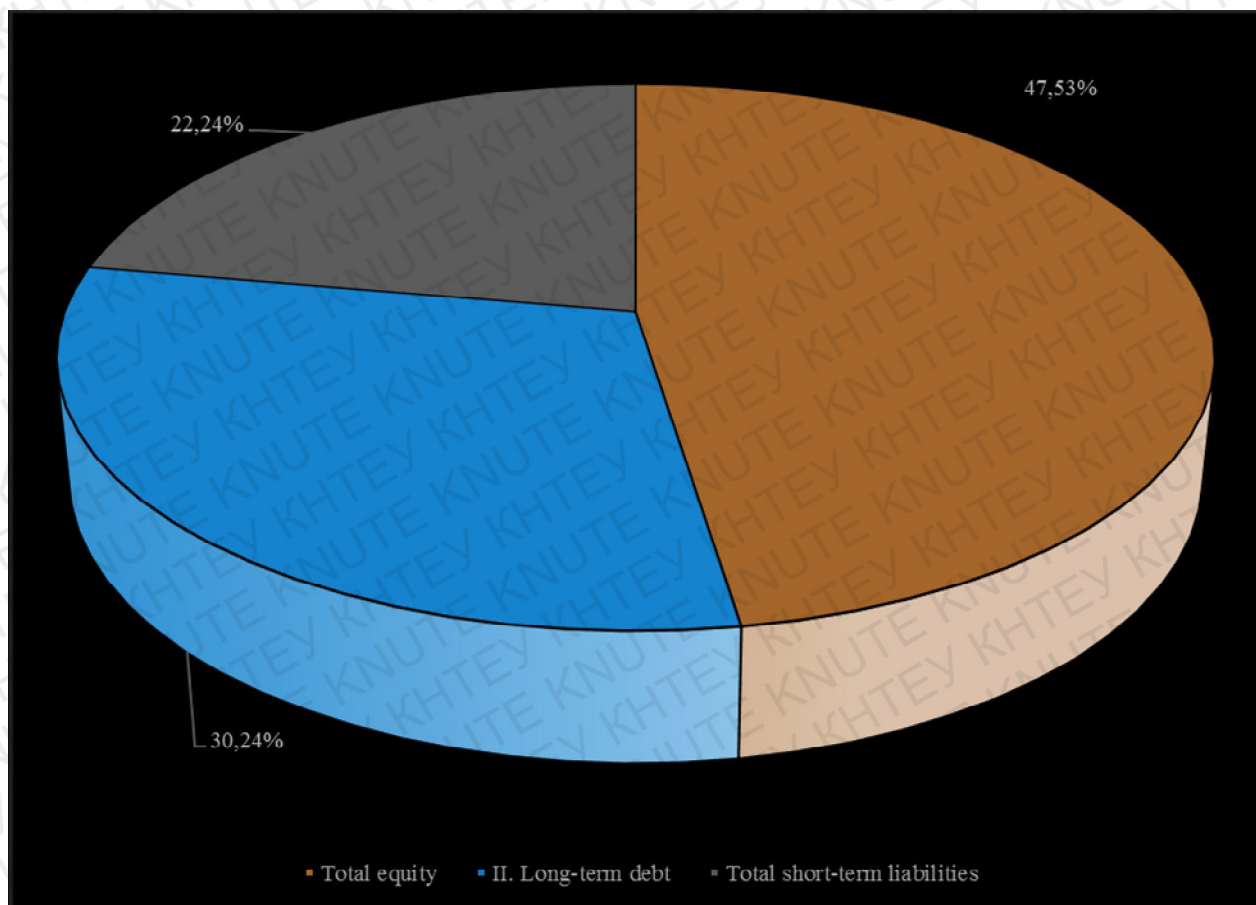


Figure 2.4. Structure of Liabilities on LLC “UKRTRANSAGENT” in 31.12.2013-31.12.2017

Source: constructed and calculated by the author on the basis of financial statements of LLC “UKRTRANSAGENT”

On the statement of profits and losses it is seen, that enterprise has serious problems. Especially, on Figure 2.5, there is the main indicator of businesses – total income/loss. Enterprise had big losses in 2013 year – 36105 ths UAH. Probably, it is related with crisis in Ukraine. Next 3 years it seemed that business was going better. 2015<sup>th</sup> and 2016<sup>th</sup> years were finished with income. However, those incomes were low. And 2017<sup>th</sup> year was again with unsuccessful results. Firm showed losses in amount of 6072 ths UAH.

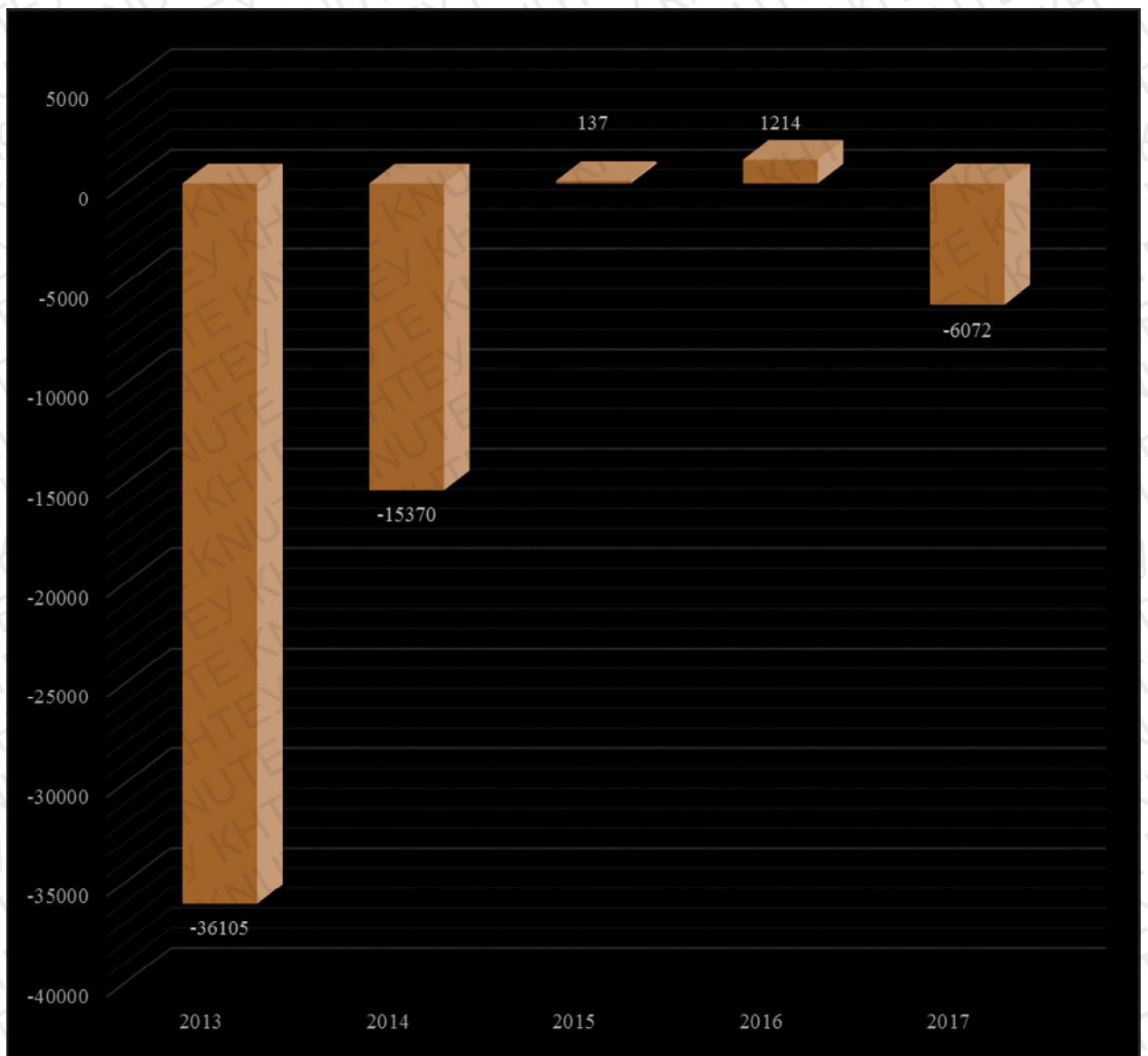


Figure 2.5. Total Income/Loss on LLC “UKRTRANSAGENT” for 2013-2017, ths UAH

Source: constructed and calculated by the author on the basis of financial statements of LLC “UKRTRANSAGENT”

To take a close look on financial statement, the key of problem can be revealed. There is a permanent reducing of margin of enterprise. Gross profit was 90498 ths UAH in 2013 year (Figure 2.6). In 2017 there is a negative gross profit (-2711 ths UAH). This fact is definitely has to be changed, because in that case doing business has no sense.

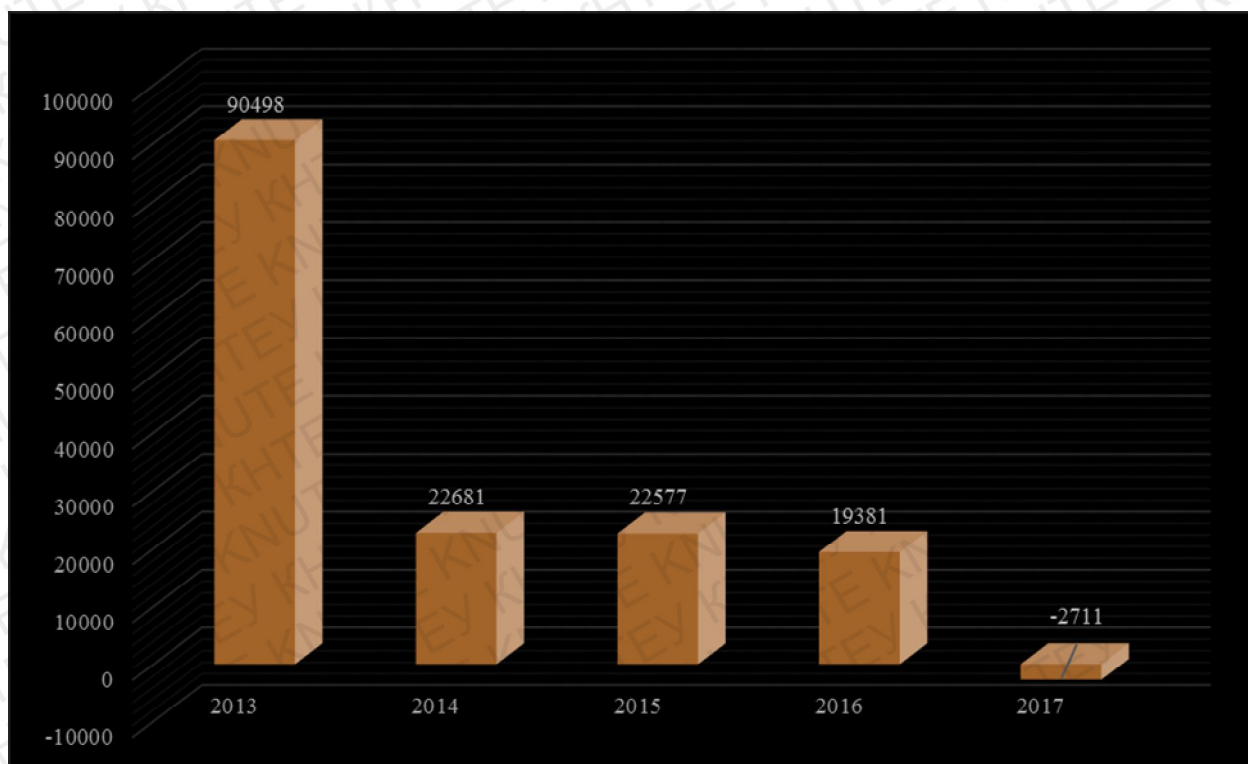


Figure 2.6. Gross Profit on LLC “UKRTRANSAGENT” in 2013-2017, ths UAH  
 Source: constructed and calculated by the author on the basis of financial statements of LLC “UKRTRANSAGENT”

Next step is analyzing of liquidity of enterprise. It defines possibility of enterprise to pay the current liabilities. The current ratio settles accounts as attitude of current assets toward current liabilities of enterprise and shows sufficiency of resources of enterprise that can be used for redemption of its current liabilities. It is recommended to be more, than 1. Last 3 years enterprise has such indicators.

The quick ratio settles as attitude of the most liquid assets (cash and their equivalents, current financial investments and account receivable) toward current liabilities of enterprise. It represents pay possibilities of enterprise in relation to the inpayment of current liabilities on condition of realization of calculations with debtors on time. It is recommended to be 0,6-0,8, but enterprise has indicators lower in 2013<sup>th</sup> and 2014<sup>th</sup>, and much more higher in next years. There is a conclusion that firm uses its current assets inefficiently.

Cash ratio is calculated as attitude of cash and their equivalents and current financial investments toward current liabilities. Cash ratio shows, what part of debts of enterprise can be prepaid immediately.

Working capital settles as a difference between the circulating assets of enterprise and current liabilities. His presence and size testify to possibility of enterprise to pay the current liabilities and extend further activity. This indicator has been good for enterprise for last 3 years (table 2.1).

*Table 2.1*

Dynamics of Liquidity Ratios on LLC “UKRTRANSAGENT” for  
31.12.2013-31.12.2017

Indicator	Value					Absolute deviation			
	On 31.12. 2013	On 31.12. 2014	On 31.12. 2015	On 31.12. 2016	On 31.12. 2017	2014 to 2013	2015 to 2014	2016 to 2015	2017 to 2016
1. Working capital, ths UAH	-2504	-13869	86508	89852	85499	-11365	100377	3344	-4353
2. Current ratio	0,97	0,86	7,86	7,16	4,06	-0,10	7,00	-0,71	-3,10
3. Quick ratio	0,46	0,42	5,13	5,10	2,94	-0,04	4,71	-0,03	-2,16
4. Cash ratio	0,01	0,01	0,13	0,18	0,00	0,00	0,13	0,05	-0,18

Source: constructed and calculated by the author on the basis of financial statements of LLC “UKRTRANSAGENT”

The analysis of financial sustainability of enterprise comes from data of balance sheet, characterizes the structure of sources of capital of enterprise, degree of financial sustainability and independence of enterprise from external sources of capital. The analysis of financial sustainability of enterprise comes true by the calculation of such coefficients:

- The Equity-to-assets ratio settles as attitude of equity of enterprise toward the result of balance sheet and shows share of equity in the capital invested

in its activity. It should be more, than 0,5 and this indicator is good for enterprise during last 3 years.

- Debt-to-equity ratio accounts as correlation of the attracted and own facilities and characterizes dependence of enterprise on the attracted facilities.
- Fixed assets-to-current assets ratio settles as attitude of size of net working capital toward the size of current assets of enterprise and shows the provision of enterprise with own turnover means.
- Fixed assets-to-equity ratio settles as attitude of working capital toward an equity and shows, what part of equity is used for financing of current activity, and what part is capitalized.

It is seen that all this indicators correspond with recommended during 2015<sup>th</sup>, 2016<sup>th</sup> and 2017<sup>th</sup> years (table 2.2).

*Table 2.2*

Dynamics of Financial Sustainability Ratios on LLC “UKRTRANSAGENT” in  
31.12.2013-31.12.2017

Indicator	Value					Absolute deviation			
	On 31.12. 2013	On 31.12. 2014	On 31.12. 2015	On 31.12. 2016	On 31.12. 2017	2014 to 2013	2015 to 2014	2016 to 2015	2017 to 2016
Equity-to-assets ratio	0,15	0,02	0,56	0,56	0,48	-0,13	0,54	0,00	-0,08
Debt-to-equity ratio	5,58	42,02	0,78	0,80	1,10	36,45	-41,24	0,02	0,30
Fixed assets-to- current assets ratio	0,60	0,46	0,16	0,13	0,11	-0,13	-0,30	-0,03	-0,03
Fixed assets-to- equity ratio	2,45	13,65	0,25	0,21	0,20	11,20	-13,40	-0,04	-0,01

Source: constructed and calculated by the author on the basis of financial statements of LLC “UKRTRANSAGENT”

The analysis of business activity allows to analyse efficiency of basic activity of enterprise that is characterized by speed of circulation of financial resources of enterprise.

Assets turnover ratio is calculated as a relation of net income from realization of products (works, services) to the average of results of balance sheet and characterizes efficiency of the use of all resources of an enterprise, regardless of sources.

Inventory turnover ratio settles as attitude of realization cost toward the average annual cost of inventories and characterizes speed of realization of enterprise's inventories.

Accounts payable turnover ratio settles as a relation of net income from realization of products (works, services) to the average annual size of accounts payable and shows speed of circulation of accounts payable of enterprise for analysed period.

Accounts payable or receivable turnover (days) is an attitude of duration of covered period toward the coefficient of circulating of debtor or creditor debt and shows the middle period of redemption of debtor or creditor debts.

Accounts receivables turnover ratio settles as a relation of net income from realization of products (works, services) to the average annual size of accounts receivable and shows speed of circulation of accounts receivable of enterprise for analyzed period.

Fixed assets turnover ratio settles as a relation of net income from realization of products (works, services) to the average annual cost of the fixed assets. It shows efficiency of the use of the fixed assets of enterprise.

Own equity turnover ratio settles as a relation of net income from realization of products (works, services) to the average annual size of equity of enterprise and shows efficiency of the use of equity.

The company showed the growth of these indicators in 2014-2016 years. But 2017 year was worse for business activity of enterprise. Bad tendency is also increasing of accounts turnover in days (table 2.3).



Table 2.3

Dynamics of Business Activity Ratios on LLC “UKRTRANSAGENT” in 2013-2017 years

Indicator	Value					Absolute deviation			
	2013	2014	2015	2016	2017	2014 to 2013	2015 to 2014	2016 to 2015	2017 to 2016
Assets turnover ratio	0,95	0,74	1,19	1,28	0,57	-0,21	0,45	0,10	-0,71
Inventory turnover ratio	2,78	1,64	3,07	4,05	2,38	-1,15	1,43	0,99	-1,67
Accounts payable turnover ratio	14,14	21,91	19,64	11,70	3,30	7,77	-2,27	-7,94	-8,40
Accounts payable turnover (days)	28,90	16,43	18,33	30,78	109,15	-12,47	1,90	12,45	78,38
Accounts receivables turnover ratio	2,10	2,41	2,80	2,26	0,93	0,31	0,39	-0,54	-1,33
Accounts receivables turnover (days)	206,54	149,60	128,76	159,63	388,15	-56,93	-20,84	30,87	228,52
Fixed assets turnover ratio	2,16	2,16	2,57	2,66	1,24	0,00	0,41	0,09	-1,42
Own equity turnover ratio	4,09	8,65	4,28	2,30	1,12	4,56	-4,37	-1,98	-1,18

Source: constructed and calculated by the author on the basis of financial statements of LLC “UKRTRANSAGENT”.

The analysis of profitability of enterprise allows defining efficiency of investment in an enterprise and rationality of their use.

The coefficient of ROA settles as attitude of net profit of enterprise toward the average annual cost of assets and characterizes efficiency of the use of assets of enterprise.

The coefficient of profitability of equity settles as attitude of net profit of enterprise toward the average annual cost of own equity and characterizes efficiency of investment.

The coefficient of profitability of activity settles as attitude of net profit of enterprise toward a net income from realization of products (works, services) and characterizes efficiency of economic activity of enterprise (table 2.4).

*Table 2.4*

Dynamics of Profitability Ratios on LLC “UKRTRANSAGENT” for 2013-2017  
Years

Indicator	Value				Absolute deviation		
	2014	2015	2016	2017	2015 to 2014	2016 to 2015	2017 to 2016
Return on Assets	-12,39%	0,11%	1,04%	-4,98%	0,12	0,01	-0,06
Return on Equity	-145,17%	0,41%	1,86%	-9,67%	1,46	0,01	-0,12
Profitability of activities ratio	-16,79%	0,09%	0,81%	-8,66%	0,17	0,01	-0,09
Profitability of production ratio	41,25%	11,97%	1,16%	12,95%	-0,29	-0,11	0,12

Source: constructed and calculated by the author on the basis of financial statements of LLC “UKRTRANSAGENT”.

The coefficient of profitability of products settles as a relation of profit from realization of products (works, services) to the charges on its production and sale and characterizes profitability of economic activity of enterprise.

Profitability ratios show us that 2015<sup>th</sup> and 2016<sup>th</sup> years were a little bit successful, but 2014<sup>th</sup> and 2017<sup>th</sup> were failure.

## **2.2. Monitoring The External Environment of LLC “Ukrtransagent”**

Factors of the external environment constantly change and can exert various impact on organization activity. Factors of the external environment are subdivided into direct and indirect impact depending on extent of impact on the organization.

The environment of direct impact is called still a direct business environment of the organization. This environment creates such subjects of the environment which directly influence activities of the specific organization.

On the contrary to internal factors, external elements are affecting factors outside and under no control of the company. Considering the outside environment allows businessmen to take suitable adjustments to their marketing plan to make it more adaptable to the external environment. There are numerous criteria considered as external elements. Among them some most outstanding and important factors need to listed are current economic situation, laws, surrounding infrastructure, and customer demands.

Suppliers are the entities and individuals delivering resources for ensuring activities of the entity. From the point of view of the entity, the household is a supplier of the major resource - a labor power. Educational institutions, employment services, etc. can act as suppliers of a necessary manpower.

Consumers are the major factor determining whether the firm will be able to compensate the costs, to get profit and to provide development. Success of the organization consists in finding of the consumer and satisfaction of his needs.

Competitors are the entities which make similar goods, goods - substitutes (substitutes) or the complementary (interconnected) goods. Competitors as a factor of direct impact exert impact not only on other entity in the market of similar products, but also on suppliers of various resources, and on intermediaries.

Organizations are obliged to observe not only federal and local laws, but also requirements of bodies of state regulation. These authorities provide forced

accomplishment of laws in the respective spheres of the competence and also introduce own requirements which often are also valid the law.

Factors of the environment of indirect impact or general external environment usually influence the organization also considerably as factors of the environment of direct impact. However the management needs to consider them.

Major factors of the environment of indirect impact:

1. Technological
2. Economic
3. Sociocultural
4. Political

Technical factors influence what sort of new services and products consumers expect on rates of an obsolescence of products and technology. For successful functioning the entity shall adapt to technical and technological changes, otherwise it will lose competitiveness.

Economic factors are determined by a condition of an economic system of the country. The capability of consumers to create demand depends on the capacity of the entity to attract the supplementary capital. Thereby the economic condition of the state influences many aspects of activities of the entity, including the level of cost efficiency and a possibility of development of the entity.

Sociocultural factors influence forming of demand of the population, labor relations, the salary level and working conditions. The demographic condition of society also belongs to these factors. Great value have also relations of the organization with local population where it functions.

Political factors imply actions of a management of the state. It is natural that these actions are caused by mood of heads and their purposes. A political situation in the country and political stability of society depend on as far as they match mood of citizens and how these moods are stable. The political situation determines the relation of federal, regional public institutions, legislature and vessels to business.

For effective functioning of the organization it is necessary to study carefully the external environment and to be ready to its changes. The significance of the analysis of the external environment for the company consists in identification of threats and opportunities for business which can follow from occurring processes.

Thus, representation about the internal environment of the organization, its potential and tendencies of development, and about the external environment, tendencies of its development and the place taken in it by the organization helps to determine the strategy of behavior of the organization to put this strategy into practice [54].

Modern methods and management tools of providing competitiveness and search of the entities` competitive advantages require the analysis of factors of the internal and external environment.

The entities of service industry are in the environment where various circumstances influence their activity and require acceptance of management decisions on elimination or on adaptation to them. The factors influencing financial and economic activities of the economic subject can be divided on external – general economic and industry factors (factors of a working environment) and also internal, connected with features of the specific entity.

Influence of suppliers, customers, products of substitutes, competitors in industries and potential competitors and also public and state organizations belongs to external factors of direct impact. This environment mainly includes the sales market, the supply market, the investment market and the labor market. There is a fixed direct interchange between the entity and the markets.

Globalization happens in the supply markets. The main task at the entity of service industry – to choose the suppliers capable to provide the best price, quality and terms of supply with necessary resources.

The analyzed factors are interrelations with suppliers and properties of the resources received by the entity which are materials, goods, technologies, the

equities, human resources, other. Building of relations with suppliers is very important for the entities of service industry, trading companies.

The investment market provides communication of the enterprise with investors – suppliers of equity. Generally it is the credit institutions providing financial services (credits).

Attraction of the equity depends not only on an internal financial state of the entity and also on a general financial and economic country situation and the world. Today the bank sphere actively credits the entities of service industry mainly on replenishment of current assets. On the one hand, it is profitable to banks because of the short term of return of a money, it is connected with risk minimization. And on the other hand, the entities of service industry are interested in receipt of borrowing money which make profit during the short period. This interest explains the low level of financing in fixed capital of the entities of service industry.

The next important market for the enterprise, which influences its development, is the labor market. Professional training of workers has to meet market requirements of the provided services.

The entities of service industry owing to its specifics are forced to select personnel for an activity rate, responsibility and focus on result. The factor – the education level, qualifications, ethics, personal qualities (independence, responsibility, activity) and the cost of the human resources has significant effect on activities of the entity.

Influence of suppliers on activities of the company is estimated by cost, quality and terms of the transferred resources.

The indirect and direct impact of the state is realized through the taxation system, the budget. Legal acts affects activities of enterprises. Special attention from the state inspection authorities can be essential to activities of the entity of service industry.

The demand on products or services is created in the market from a certain target group of buyers, and the task of the entity – to satisfy this demand.

Satisfaction of needs of the consumer influences interaction of the entity with product suppliers, investors, human resources, etc. It is necessary to consider such factors as the number of buyers, buyer concentration in relation to the enterprise, the income of the customer, motives of decision making. Acceptance of the price, differences in goods of competitors, brand recognition, etc. is important in the relation with the customer. It is necessary to consider geodemographic and behavioral factors.

To geodemographic factors are related: gender, age, level of income, relationship status (married, with children, pensioners, etc.), residence, stories of recent purchases.

To behavioral factors are related: loyalty, caution in case of the choice of goods or service, strictness, impulsiveness, readiness for purchase of new service (goods) soon after acquisition of the same.

Nowadays the consumer has access to the large volume of information about goods, quality and properties of these goods and also about opportunities of its acquisition. It is caused by development of the Internet, and electronic commerce. As a result the consumer has the huge choice of goods and services, information on which can be obtained in the shortest terms. These circumstances cause emergence of the new factors that determine influence on the entities of service industry from a product substitute.

In spite of the fact that this service is new in the market, it is in demand for buyers and has dynamics of growth of sales. The benefit of this service is that the party presenting it doesn't incur such costs as the company performing activities by a traditional method. Therefore the price of this product substitute differs from the price of the traditional company. Costs of switching to a new product are insignificant therefore readiness of the buyer to pass to a new product is high.

Considerable impact on the organization is exerted by the competition in an industry.

The competition between the entities represents the most important lever of increase in efficiency practically of all forms of economic activity. For assessment

of factors it is necessary to carry out the analysis between the rival companies operating in the market and to designate the essential circumstances determining rivalry in an industry:

- brand recognition;
- differences between commodity groups;
- concentration and balance of the companies in an industry;
- information support;
- capitalization of the company;
- formats of shops;
- price policy, etc.

*Table 2.5*

Factors of The External Environment and Their Influence [64].

№	Factors of the external environment	Influence of factors	Degree of influences
1	Suppliers of products	Security, efficiency, reliability, pricing	High
2	Creditors and investors	Completeness of trade inventories, solvency, possibility of investments	Middle
3	Human resources	Security with personnel structure, qualification	Low
4	Consumers	Consumer capability, profitability, sales volume, image, financial stability	High
5	Authorities	Overheads level	Middle
6	Competitors	Efficiency, sales volume, market	High



		share	
7	Products-substitutes	Sales volume	Low

PEST and SWOT-analysis are used to estimate external environment of LLC “Ukrtransagent”.

Table 2.6

PEST-Analysis for LLC “UKRTRANSAGENT”

Factors	Impact	Probability	Assessment
Political factors			
Instability of political powers and existing government	2	4	0,35
Tax policy (tariffs and benefits)	3	4	0,52
Trends towards regulation or deregulation of the industry	2	3	0,26

Continuation of Table 2.6

Factors	Impact	Probability	Assessment
Economic factors			
Economic growth rate	3	3	0,39
Inflation and interest rates	2	5	0,43
Rates of major currencies	2	3	0,26
The degree of globalization and openness of the economy	3	3	0,39
Sociocultural factors			
Attitude towards imported goods and services	2	2	0,17
Culture of savings and lending in society	1	2	0,09
Population growth rate	1	1	0,04
Technological factors			

The degree of use, implementation and transfer of technology	2	3	0,26
The development and penetration of the Internet, the development of mobile devices	1	3	0,13
Total:	23	36	3,30

Source: constructed and calculated by the author

So, the largest impact on firm's activity is made by political and economic factors. Especially it is tax and regulation policy, because company is dealing with authorities in customs clearance of goods. Moreover, in export-import operations economic growth, currency rates and globalization have huge importance. Sociocultural and technological don't influence so much for logistic company.

Table 2.7

#### SWOT-Analysis for LLC "UKRTRANSAGENT"

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Wide chain of representatives in all customs clearance stations</li> <li>• Full complex of services for transition of borders</li> <li>• Individual approach to customers</li> <li>• Quick providing of services</li> <li>• Using of modern software and technologies</li> </ul>	<ul style="list-style-type: none"> <li>• Over-dependence on people</li> <li>• Unstable financial state</li> <li>• Low rates of profit</li> <li>• Most operations are connected with countries of Customs Union and general turnover of them with Ukraine is declining</li> <li>• Undeveloped infrastructure</li> <li>• High rate of corruption in this industry</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Growth of electronic services</li> </ul>	<ul style="list-style-type: none"> <li>• Escalation of relations with</li> </ul>

<p>and demand on outsourcing logistic services</p> <ul style="list-style-type: none"> <li>• Expanding new foreign markets</li> <li>• Growth of foreign trade turnover</li> <li>• Improving of personnel productivity</li> </ul>	<p>Russia and Belarus</p> <ul style="list-style-type: none"> <li>• Inaccessible loans from credit institutions due to financial statements</li> <li>• New unfavorable rules of customs` regulation</li> <li>• Entrance of new competitors to the market</li> </ul>
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Source: constructed and calculated by the author

Condition of logistics market is also analyzed in Ukraine. The logistics is important industry for economy of Ukraine, and its importance is defined by the fact that developed logistics helps to develop production. But at the same time the logistics depends on state of the economy of the country and, first of all, on a condition of the industry. It is possible to compare dependence between the industry and logistics. In 2012 recession which lasted till 2015 began. In 2015 decline in production was -13%, it strongly struck at the market of cargo transportation. Goods turnover volumes also began to decrease, and they reached a bottom in 2015 too — 315 billion tones on kilometer were transported. But since 2016 gradual restoration is observed. It has been 2,6% in 2016, and in 2017 — 6,1%. Though, those turnover, which were before crisis in 2013, is still far.

The second factor affecting the market of logistics is the foreign trade activity. Except producers, the main consumers of the market of logistics are importers who deliver products. The foreign trade turnover has been decreased since 2013 and till 2016, and there is a direct dependence — decrease in volumes of export/import leads to the fact that volumes of cargo transportation decrease [68].

Let's look at geography of cargo transportation (figure 2.7) — the main decrease in a foreign trade turnover happened due to decrease in deliveries of export and import to Russia. This decrease was not compensated by other countries. In 2013 goods turnover volume with Russia was 38,3 billion dollars, in

2017 this indicator equaled 11 bln. dollars, falling was 75%. With other countries the foreign trade turnover changed very slightly. Capacities in logistics remained not involved, especially those which carried freights to Russia, Belarus and other CIS countries. So Ukraine has a potential for development.

Let's look at structure of goods turnover in a section of means of transport. Cargo transportation by railway transport is in the first place long time, but the tendency that the share of Ukrzaliznytsya constantly decreases — in 2014 it made 62,5%, 2017 it decreased up to 55,9%. Very positive fact is that the share of automobile transportations grows from 11,3% to 12%. The share of water cargo transportation decreased.

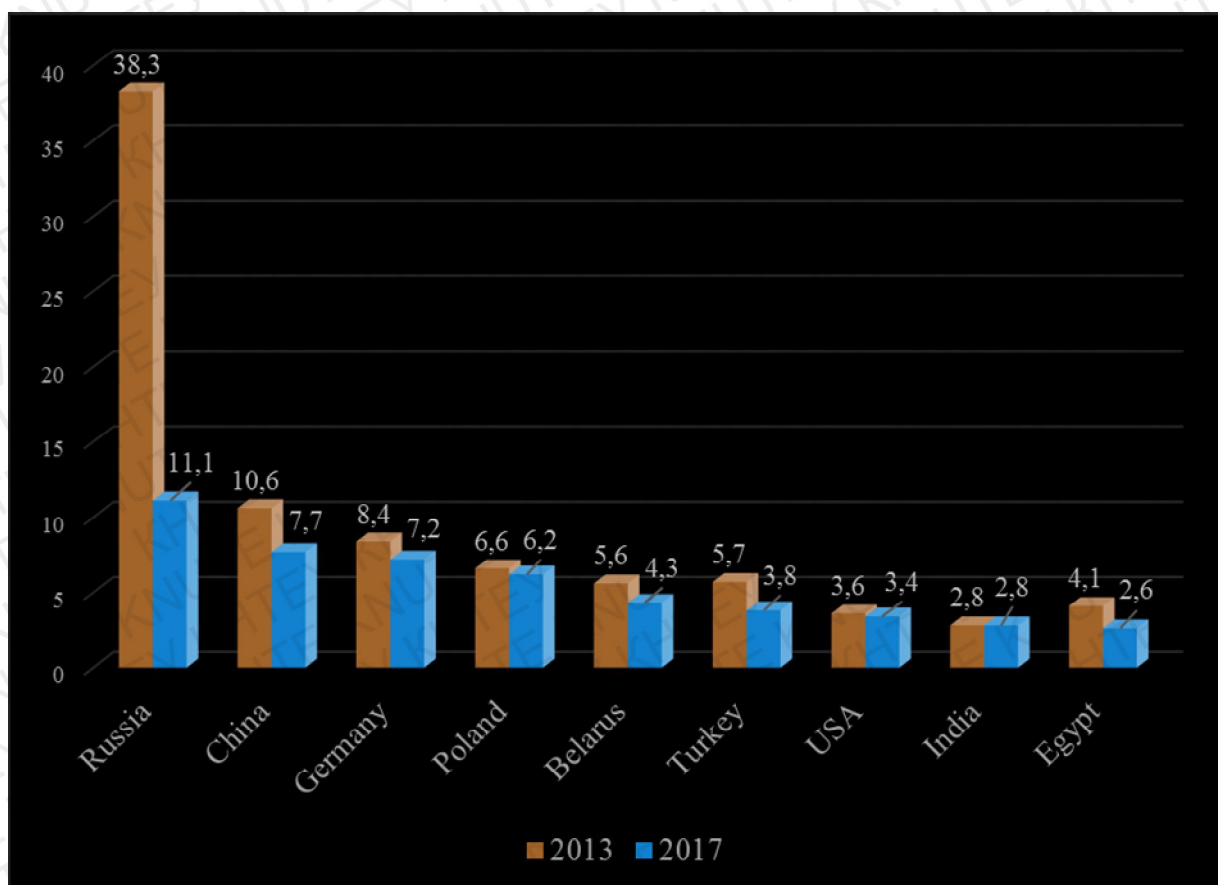


Figure 2.7. Geographic Structure of Foreign Trade Turnover of Ukraine in Logistics Industry in 2013 and 2017 Years, Billions of Dollars

Source: [43].

The major factors affecting the market of logistics is the general state of the economy, a condition of the industry, and cost (freight tariff). Let's look at

dynamics of cost and volumes of cargo transportation by railway transport, for comparison as the tariff for volumes of railway cargo transportation influences. We see inverse relation here — to growth of a tariff there is a decrease in volumes. The peak of growth of tariffs fell on 2015, it was connected with devaluation and inflation which was about 40% and even more. And approximately in the same time growth rates of volume of cargo transportation reached a bottom, in 2014-12,4%. Since 2017 it is possible to observe stabilization in the market of rail transportation — 339 million tones for 2017 were transported by Ukrzaliznytsya [59].

Global trends in development of logistics. First of all it is Blockchain, test of this technology in the market of cargo transportation is now carried out. The IT company which provides such decision is IBM, it tests Blockchain on the Maersk company and other contractors. The second year there are tests of a system of monitoring of logistic orders.

The second trend is 3D - visualization. It is the program allowing to show the correct techniques of warehousing of freights in vehicles. It is possible to see how it is better and to put freight with the maximum load of the CU.

The third trend — robots and drones. Many companies carried out tests on delivery of pizza to end users by means of robots. The parliament of Estonia even adopted the bill which regulates the movement of robots on the street.

The fourth trend — pilotless transport and the electric transport. The Tesla Semi Truck truck which will appear in 2019 — it will be the electrotruck with function of the pilotless driver. Other companies, such as BMW, Mercedes, and even the Russian KamAZ, carry out also now tests of this function.

And the last trend is a 3D press on the 3D printer. Why it will influence the market of logistics? Because for many goods need of transportation will disappear, it will be possible to send a 3D model by mail and to unpack these goods at home [43].

There are such conclusions:

- In Ukraine there is a restoration of the production of industrial output and increase in volumes of a foreign trade turnover that has a positive impact on the market of logistics;
- In structure of goods turnover cargo transportation by railway transport prevail, but their share is reduced;
- the Tariff puts the strong pressure upon volumes of cargo transportation;
- River transport in Ukraine is almost not developed;
- Dynamics of investments into logistics since 2016 is positive (growth rates accelerate).

### **2.3. Analysis of Competitive Strategy of LLC “Ukrtransagent” in International Economic Activity and Assessment of Its Efficiency**

Let's quickly remind theoretical aspects of competitive strategies. In far 1985 year, Michael Porter described three approaches in the book “Competitive Advantage”: leadership in costs, differentiation and specialization. Specialization is divided into two segments: focus on costs and focus on differentiation. Thus, Porter allocated four basic strategy. The choice of this or that strategy in many respects depends on the market and type of competitive advantage.

The strategy of leadership in costs. The company reaches competitive advantage in two ways:

- increases profit due to reduction of costs and deduction of average market prices;
- increases a market share due to reduction of prices, at the same time continues to profit at the expense of low costs.

The strategy of leadership in costs is not about reduction of the prices, and about reduction of costs. Reduction of prices is a separate policy stroke within this strategy.

If your competitors chose this strategy, then they will try to reduce the prices to occupy a big share of the market and not to give you the chance to develop the company.

The companies choosing this strategy have:

- Access to the capital allowing to invest in the technologies reducing prime cost of goods
- Effective logistics
- Low cost of work, resources, fixed assets of production

The main lack of strategy of leadership of costs is that cheap resources and equity are not unique competitive advantage. Strategy is easily copied and advantage is reduced. Therefore it is extremely important to reduce costs and to find new ways of reduction of losses in any business. Knowledge of instruments of economical production has to be a part of any business.

Strategy of differentiation. This strategy is directed to creation of a unique product or service which your competitors do not have. To apply successfully this strategy the company has to:

- have good department of development of a product, researches and innovations;
- create a high-quality product or service;
- have effective sales department and marketing which can explain to the market your main differences from others.

The large organizations pursuing this strategy have to be fast and flexible in the field of introduction of innovations in a product. Otherwise, small players who chose the niche strategy of «specialization on innovations» will attack them from the different sides.

Strategy of specialization. The companies choosing the strategy of specialization have very profound knowledge of the niche and the clients. They manage to create the product meeting either the price requirements of clients or narrow requirements of clients. From here two directions of development within this strategy: price and differentiation. The main advantage which is got by the

company it is loyalty of the clients and a unique brand. It is a strong trump against competitors.

It is not enough to reduce the prices or to release a special product to be successful within this strategy. You risk to be linked with the large player having more resources. The recipe is sole, you have to be on one, on two or three heads above and better. The strategy of specialization means not just focus, and laser accuracy in questions of reduction of price and development of a product.

The company LLC “Ukrtransagent” uses the competitive strategy of specialization. It focuses on one segment of logistics services. It is a segment of customs clearance. The competitive strategy of focusing or the strategy of the concentrated marketing means concentration of all efforts of the company on a certain group of consumers, type of a product or service or a geographical market segment, namely creation of product or price advantage in a narrow segment of the market. In our case enterprise concentrates on type of service.

Using the strategy of focusing, the company can achieve better results in achievement of the narrowly targeted purpose in comparison with competitors. It protects from large competitors and substitutes as chooses the most attractive market segment to the company or the least suitable for competitors. High rate of return in this strategy can be received due to more effective satisfaction of requirements of narrow number of clients. The strategy of focusing can be constructed on any type of competitive advantage: on the low cost of a product or at range width.

The strategy of the concentrated marketing assumes restriction on market shares, but its advantage is that it does not demand high investments into development of goods and can provide survival to the small companies.

In practice the following risks and lacks of use of strategy of focusing are marked out:

- high probability of a significant difference in the prices with goods of leading companies of branch that can frighten off target buyers;



- existence of threat of decrease in differences between requirements of the niche market and requirements of branch in general;
- switching of attention of large players to niche segments in which the company functions.

The competitive strategy of leadership in a niche is recommended to be used to the companies of the small size. Strategy is effective in a case of market saturation, existence of strong players in a segment, high level of prime cost or noncompetitiveness in expenses in comparison with leading companies of branch and also in the presence of restrictions on opportunities of advertizing investments [51].

At application of strategy of focusing by small companies practically there is always a risk of competitive collision with large players of the market who will use advantages of large production in competition. Also, it is necessary to know that narrow specialization except obvious advantages, is accompanied by a set of risks — business potential sharply is limited, decreases a range of possible actions. The strategy of narrow specialization provides competitive advantage in limited, sometimes a unique segment. The base of strategy is specialization of the company, high professional level of employees which allows to offer consumers the highest level of service or unique quality of production in strictly limited market niche. Focusing is a consequence of emergence of certain unique requirements to consumption, demand for single types of production, and presence of methods, production capabilities for satisfaction of demand at the certain participant of the market. The most important one of aspects of formation of strategy of narrow specialization is marketing, which plays the vital role in definition of requirements of the market. With its help it is possible to define perspective niches even in the traditional markets that have been divided between strong players long ago. At the same time efforts on activity optimization become the most effective, according to requirements of the consumer.

Strategy is applicable not in all markets, not under any market conditions. The current situation in the market has to meet the following conditions:

- Consumers due to their variety form a variety of demand;
- In a wide market segment there are niches for which narrow specialization is applicable;
- The market niche which becomes object of specialization is capable to provide necessary sale of goods at sufficient profitability and the existing growth potential;
- The competing companies working in a wide market segment are not active players on the focused market niche;
- The company seeks to become the global player in the market, however, in view of deficiency of resources, prefers to concentrate attention of buyers on a narrow market niche.

Existence of separate niches is a consequence of the fact, that the companies, which have a wide range of the realized goods or services, are not capable to pay attention to satisfaction of needs of separate groups of consumers that promotes emergence of processes of focusing from competitors. The companies, which focus all the attention and resources to satisfaction of needs of specific groups of consumers, get serious competitive advantage, which does not extend out of limits of the chosen segment. At the same time, it is not important how big the chosen niche is.

The difference of the chosen segment and satisfaction of the requirements is capable to guarantee necessary profitability. Use of focusing does not guarantee achievement of excess profits and indicators of efficiency, which will significantly surpass results of competitors. However, reasonable use of types of strategy — differentiations and reducing costs, can yield excellent results. For example, competitors who work in a wide segment do not make enough efforts for satisfaction of separate, small groups of consumers, inefficiently using marketing resources.

Focusing of goods on group of unsatisfied consumers can yield good results at the minimum expenses on the advertising company, costs are directed to involvement of exclusively allocated target audience. There is a possibility of

obtaining the result exceeding indicators of the competitors working in a wide segment if:

- the company actively applies the strategy of focusing on costs, minimizing expenses on production of highly specialized goods or differentiates production, satisfying demand from the allocated groups of consumers who are deprived of attention from other producers;
- the structure of a commodity segment is attractive and various [65].

It is possible to carry such advantages of strategy of focusing:

- promotes concentration of resources and give the chance to compete successfully in the conditions of their limitation;
- high probability of achievement of the goal and gaining steady competitive position; promotes development of the general corporate spirit;
- all internal investments and programs of development are directed to achievement of the unique end result;
- enhances technical superiority and establishes technical advantages over competitors;
- promotes creation of unique image and formation of absolute client loyalty.

Conscious restriction of a part of consumers can be connected with:

- Geographical restrictions or advantages — an opportunity to develop only within this region (or a geographical opportunity to develop within the concrete region most effectively).
- Technical restrictions or advantages – in case there are any difficulties on production of concrete production, for example, possession of patents or exclusive production technologies are necessary.
- Requirements of uniqueness of production, shown by participants of the chosen market.

So, they can resort to the strategy of focusing in two essentially opposite business situations:

- in the conditions of a tight restriction of resources (geographical, technical, financial, information and other) for creation of an inexpensive product capable to satisfy requirements of a specific segment of the market;
- in case of possession of a unique resource (geographical, technical and other) for creation of a product of a premium segment with unique properties, capable to satisfy requirements of a specific segment of the market.

There are two main forms of application of strategy of focusing: on costs and on differentiation. At the same time both strategies are admissible for application. Also they can be used at the same time.

Focusing on costs means that the company working in a narrow segment of goods tries to get competitive advantage due to the maximum depreciation of expenses. The difference of expensive components in different niches of a market segment promotes that the company pays prime attention to optimization of expenses by production of goods of one, narrow niche.

Focusing on differentiation assumes that the producer seeks to receive benefit due to sales of production focused on various groups of consumers in borders of one segment. At the same time it is necessary that in a market niche there were communities of the potential consumers testing special requirements to goods. Differentiation, as a rule, does not assume an exit for a framework of initially certain price segment. Application of these types of strategy will become effective if their application happens in strictly chosen target segment. Existence of a target segment guarantees presence of potential customers.

Any of mentioned strategies cannot be applied in all conditions, in all markets. For application of any strategy, including the strategy of focusing, the market situation has to correspond to the following conditions:

- broad and deep demand in which it is possible to allocate various segments;
- the allocated segments of the market produce rather specific demand;

- the market segment chosen for focusing has to have a steady tendency to growth; production chosen for focusing realization has to have the constant level of demand sufficient for formation of normal profit and profitability;
- the inactive or weak competition on the chosen market segment.

The specifics of concentration on a certain consumer and a certain type of production shows obvious advantages to business, but at the same time such refusal of the mass consumer involves many risks.

It is possible to carry to lacks and risks of strategy of focusing:

- ease of an entrance of competitors on the market because of the initial rather low level of the competition;
- lack (usually) entrance barriers on a market segment (except cases of existence of the protected technical and technological resources or geographical remoteness); probability of dumping by competitors on a wide segment that leads to deleting of differences between mass and specialized production and destruction of a segment;
- probability of growth of the competition and falling of relative profitability on a segment;
- probability of artificial division of an attractive segment into smaller parts, bringing focusing to absolute, that is focusing on the certain client;
- probability of growth of expenses and falling of competitiveness of specialized goods.

As it is possible to notice, risks are rather serious. Nevertheless, at the same time, it is always possible to realize advantages of this strategy by the way, that the created client loyalty did not give the chance to competitors to realize plans on this segment. So, the strategy of focusing is rather interesting from the point of view of small business – it is allowed by the small enterprise to find own consumer at a stage of their formation, to enter the market and to begin successful work. It can remain within one segment, deepening own specialization and becoming practically the producer of exclusive goods. In addition, it can pass from this segment to several adjacent spheres or all market, having reduced the level of

specialization of own goods. The focused diversification will become the third option. It is such option of succession of events, when the enterprise chooses other specialized segment of the market and will begin to make for it specialized production [66].

LLC “Ukrtransagent” provides wide range of services in this segment:

- Execution of customs declarations. (At the international automobile check points through frontier of Ukraine: transit, import, export. Customs registration of freights. Customs cleaning.)
- Ensuring customs payment. (Granting a financial guarantee in the form of the document of the independent financial intermediary)
- Execution of guarantees across the territory of the Russian Federation and Republic of Belarus for the purpose of providing customs payment for all groups of goods in the territory of the Russian Federation and Republic of Belarus.
- Execution of declarations T1 across the territory of the European Union - the most widespread and comfortable method of ensuring payment for carrier customs payments. Customs registration of export.
- Registration of the EORI (Economic Operator’s Registration and Identification) code. The code is used during all economic operations and when performing customs registrations in the territory of the EU.
- Preliminary informing of European Union’s customs authorities. (The notice with information on transportation and the goods imported on the territory of the EU.)
- Preliminary informing of customs authorities of the Russian Federation and Republic of Belarus when moving goods with use of the TIR Carnet.
- Execution of electronic declarations across the territory of Turkey and Serbia for the purpose of providing customs payment and saving of time when crossing the border.

- Registration of import in the territory of the EU. (Customs execution of import declarations when importing goods to the territory of the EU at check points “Dorokhusk” and “Korchov”. Execution of export declarations when exporting goods from the territory of the EU to Ukraine).
- Sending of foreign employees to Europe. (Sending of employees compliance with laws of France, Italy, Austria and Germany.)
- Return of the Value Added Tax. (Possibility of return of the VAT for the services bought in the territory of the EU.)
- Execution of electronic copies of TIR carnets, which are necessary for giving in customs authorities. Carnet TIR is the document of customs transit granting the right to transport freights through borders of the states in the bodies of cars or containers which are sealed up by customs with simplification of customs procedures.
- Insurance services: green card, CMR-insurance.
- Office services at checkpoints (Internet, scanner, printer, copier).
- Consultation in the sphere of foreign trade activities (the questions of foreign economic activity, questions concerning customs registration of cargo transfer) [67].

So, this enterprise has chosen the strategy of focusing on differentiation. It specializes on a specific type of service and tries to differentiate providing of it for different consumers.

However, competitive strategy of our logistic company is not as successful, as it was expected. It could be related with the activity of competitors. Focusing on expenses is more attractive in this sphere of services for consumers. Companies, that use outsource logistic services are generally small. Therefore, they appreciate more low cost of services, nor the highest quality or wide range of them.

## **CONCLUSIONS TO PART 2**

In this chapter, the financial statements of LLC “Ukrtransagent” are researched during 2013-2017 years. Total fixed assets of the enterprise is declining year by year. The biggest share in assets of company is trade accounts receivable (36,17%). The company is specialized on providing of services, so it's a normal situation. Enterprise started to use retained profit to close their middle-term loans. The amount of long-term debt is the same in other analyzing years. Besides short-term loans, there is a growth in other elements of short-term liabilities – accounts payable for commodities, works, services, insurance, remuneration, calculations with the budget. In structure of liabilities total equity is 22,24%, long-term liabilities are 30,24% and short-term liabilities are 47,53%. On the statement of profits and losses we can see, that enterprise has serious problems. Especially with the main indicator of businesses – total income/loss. Enterprise had big losses in 2013 year – 36105 ths UAH. 2015th and 2016th years were finished with income. However, those incomes were low. But 2017th year was again with unsuccessful results. Firm showed losses in amount of 6072 ths UAH. Permanent reducing of margin of enterprise is the main reason of such results.

Profitability ratios show us that 2015<sup>th</sup> and 2016<sup>th</sup> years were a little bit successful, but 2014<sup>th</sup> and 2017<sup>th</sup> were failure. The company showed the growth of financial sustainability indicators in 2014-2016 years. But 2017 year was worse for business activity of enterprise. Bad tendency is also increasing of accounts turnover in days. All liquidity and solvency indicators correspond with recommended during 2015<sup>th</sup>, 2016<sup>th</sup> and 2017<sup>th</sup> years.

Factors of the external environment constantly change and can exert various impact on organization activity. Factors of the external environment are subdivided into direct and indirect impact depending on extent of impact on the organization. The environment of direct impact is called still a direct business environment of the organization: suppliers, consumers, competitors. Factors of the environment of indirect impact or general external environment usually influence the organization also considerably as factors of the environment of direct impact (technological, economic, sociocultural, political).



The largest impact on LLC “Ukrtransagent`s” activity is made by political and economic factors. Especially it is tax and regulation policy, because company is dealing with authorities in customs clearance of goods. Moreover, in export-import operations economic growth, currency rates and globalization have huge importance. Sociocultural and technological don`t influence so much for logistic company.

The company LLC “Ukrtransagent” uses the competitive strategy of specialization. It focuses on one segment of logistics services. It is a segment of customs clearance. The competitive strategy of focusing or the strategy of the concentrated marketing means concentration of all efforts of the company on a certain group of consumers, type of a product or service or a geographical market segment, namely creation of product or price advantage in a narrow segment of the market. In our case, enterprise concentrates on type of service.

There are two main forms of application of strategy of focusing: on costs and on differentiation. At the same time, both strategies are admissible for application. Focusing on costs means that the company working in a narrow segment of goods tries to get competitive advantage due to the maximum depreciation of expenses. Focusing on differentiation assumes that the producer seeks to receive benefit due to sales of production focused on various groups of consumers in borders of one segment. The specifics of concentration on a certain consumer and a certain type of production shows obvious advantages to business, but at the same time such refusal of the mass consumer involves many risks.

LLC “Ukrtransagent” provides wide range of services in this segment, so this enterprise has chosen the strategy of focusing on differentiation. It specializes on a specific type of service and tries to differentiate providing of it for different consumers.

## **PART 3**

### **IMPROVEMENT OF COMPETITIVE STRATEGY OF LLC “UKRTRANSAGENT” IN INTERNATIONAL ECONOMIC ACTIVITY**

#### **3.1. Reserves in Improvement of Competitive Strategy of LLC “Ukrtransagent”**

The question of identification and competent management of increase reserves acts as one of topical issues for each modern industrial enterprise competitiveness.

First of all, the competitiveness of the enterprise is ability to carry out profitable economic activity in the conditions of fierce competition. Change and development of competitiveness is caused by several factors and conditions, a part from which carries operated character. They are prerequisite for identification of reserves of increase in level of competitiveness of enterprise.

Before starting consideration of reserves of competitiveness of the enterprise, let's note that reserves are certain factors, which will allow the management of the enterprise to raise level of management efficiency.

Reserve is a certain resource of the enterprise which is available for it, but is not used in view of certain circumstances. Also the reserve can be considered as a certain possibility, chance or capacity of the enterprise. During the work with the revealed reserves of competitiveness it is important to understand with what their type to deal, consider features and specifics of methodology and tools of a reserve.

In the beginning it is appropriate to reveal types of reserves of competitiveness concerning time of their impact on the system of the enterprise. So, at the present stage the following reserves of competitiveness of the enterprises are allocated:

- the short-term periods — the useful effect of use of such reserves occurs at once after implementation of actions and continues to work in the short-term period;
- the long-term periods — the useful effect occurs not at once, but later after realization of a reserve of competitiveness.

Allocation of reserves of medium-term character in separate category is expedient. So far there are no exact characteristics and restrictions, according to which, reserve on duration can be carried (or it is not carried) to medium-term on time (period) of impact on the system of the enterprise. Nevertheless certain reserves cannot carry neither short-term, nor long-term character, and to be between these points on time of influence. Thus the expediency of such allocation is justified.

It is possible to carry the reserves directed on strengthening of competitive positions in the market (for example, production of new production (service), which is not demanding strategic investments, construction of new production sites or serious structural changes in the system of the enterprise) to medium-term reserves.

Number of signs can classify the reserve at the same time, and reference of a reserve only to one classification based on a certain criterion is impossible, as in view of the diversity of competitiveness reserves, they are directed to maintenance of all system of the enterprise.

Such types are allocated on object of emergence as:

- the reserves differing in high degree of synergetic effect;
- the reserves of divisions of the enterprise allowing considerably increase efficiency of activity of autonomous division;
- reserves of the general character — belong to them competitiveness reserves which can be applied by any component of the enterprise as systems;
- reserves of complex character — such reserves can arise in a number of divisions, but are characteristic for a small number of divisions;
- reserves of private character are the reserves arising within concrete division of the enterprise from which positive effect is possible only at their realization in concrete division.

In addition, we will note that use (application) of a reserve of competitiveness is a certain and complex process which main goal is expansion of positions in the internal and external markets [69].

As it is already found out, the biggest problem of LLC “Ukrtransagent” is a low level of margin. Moreover, the most suitable competitive strategy for small business in the sphere of customs clearance services is focusing on expenses. Thus, increasing of price is unlikely to allow enterprise to be competitive in the market. Therefore, the only way to save the company is to cut costs. This mission is vital for the firm to stay solvent.

Optimization of expenses is not a single action, it is full process. And if you want to succeed in this process, then emotions should be laid aside.

Budget-cutting process has to begin with development of strategy. Before taking active actions, it is necessary to consider everything and to make the minimum plan. It is important to understand what expenses are at the enterprise, on what categories they can be distributed and which are subject to reduction first of all. However, it is not less important to understand the purposes of this process - why we should optimize expenses and for what. If it is about search of opportunities of decrease in cost, as the prices of goods should be lowered, then all production costs have to be exposed to the analysis. If the purpose is to improve liquidity and solvency of the enterprise, then it is necessary to begin with administrative expenses. A set of actions, which will save the enterprise from inefficient expenses is selected and will lead to the planned purpose.

For example, we will give a model of very simple strategy of optimization of expenses. It will be especially useful to small and medium business.

The strategy purpose - to cut down unnecessary expenses of the enterprise.

First of all, we recommend to distribute all expenses on three categories:

- Priority - purchase of raw materials and materials, production costs, expenses on payment of the salary, rent. Suspension of financing of these articles can lead to failures in work of the enterprise.
- Admissible - benefits and social packages for employees, expenses on the Internet and mobile communication, marketing and advertising expenses, etc. Financing of such expenses is desirable, but it is not obligatory to keep in full, especially, if the enterprise has not available funds. And those expenses are necessary to analyze and look for ways of their reduction.
- Unnecessary - payment of office parties, the training programs, printing of brochures, business trips. The termination of financing of unnecessary expenses will only help the enterprise to endure crisis and will not affect its working capacity in any way (figure 3.1).

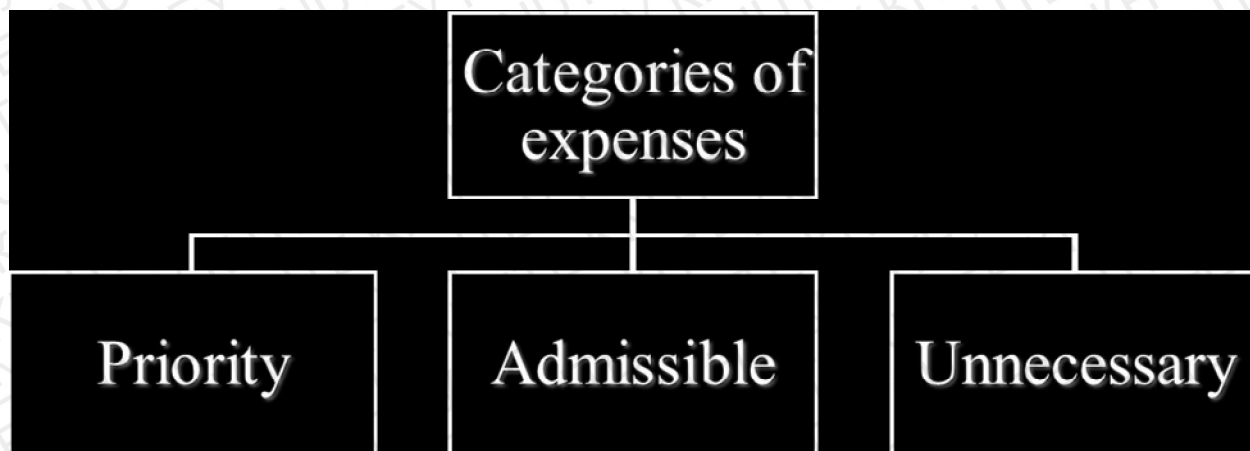


Figure 3.1. Three Categories of Expenses

Source: [58].

The analysis of expenses of the second and third category has to become the following step. It is necessary to refuse at once unnecessary expenses. And admissible expenses can be optimized and reduced. For example, it is possible to choose more economical package for mobile communication or to reduce the Internet traffic. It is time to revise efficiency of all marketing and advertizing activities, to leave only efficient. All document flow should be transferred in an electronic format to the maximum.

It is possible to reduce the budget of administrative expenses well. Manager should pay attention how many papers are spent in office. On the scale of a month company do not feel considerable economy, but in scales of year, it will significantly be reflected in budget of expenses.

Priority expenses could be cut down too, however on this process it is required much more time.

And the last stage is reduction of inefficient expenses and increase in system of internal control of expenses and income in the company. At this stage it is crucial to establish effective control.

The top management of the enterprise approves all strategy of decrease in expenses. It is possible to violate the made decisions only in exceptional cases. Financial services have to control observance of this rule. Their duty is to watch

validity of expenses and to cut unnecessary expenditure. The rigid financial discipline has to be entered and to be controlled according to the order of the management. Process is effective when someone is responsible for it [58].

Work of the organization is directed to receiving high income, so employees of the enterprise try to cut down expenses of firm. To perform the similar procedure is problematic as it can affect quality of work of personnel and the organization in general. Decrease in cash expenditures can be implemented in several directions. Mainly, it can be the decrease in extra operational and operational expenditure, exerting the main impact on cost of goods and services.

How not to allow excess expenses:

- The company has to be able to work with profit and to get rid as soon as possible from receivables.
- If it is not possible to exclude completely production expenses, it is necessary to reconsider the system of planning.
- To increase quality, reducing production with defects and marriage.
- To plan correctly ways of movement of materials and an arrangement of technological equipment.
- The company should deal only with "live" goods and not to leave it for emergency, which can only "deaden" activity of the enterprise.
- To cut down expenses, it is necessary to avoid excessive technologies of processing. In other words, the enterprise spends spare cash for production of unclaimed characteristics.
- It is impossible to allow the periods of idle time and expectation, which can be caused by suppliers, breakage of the equipment and miscalculations in planning of utilization of capacity.
- Firm should not be fond of the credits. Businessmen need to give forecasts to the future and to monitor constantly growth of the capital. Receipt of profit can vary from time to time, because of what cash gaps can appear. Anyway the bank will demand to pay a debt for a full tariff, and it can strike serious blow to a financial position of the enterprise.

- If the company issues the license for goods, it will be able to reduce monetary losses considerably.
- To cut expenses, businessmen prefer to change the additional expenses which have no relation to work of firm. Economy on quality can significantly lower demand for goods and services. And if to limit expenditure for development and progress of the company, the product risks to become unclaimed.

It is possible to mark out 3 main ways of reduction of the expenses of the company mentioning different fields of activity.

**Economy on rent.** At first the organization can reduce expenditure for various leasing and rent payments to the extraneous organizations and private representatives for use of the equipment or the real estate. It is more favorable to get all necessary, than to bring monthly payment for things, that will never become personal property. It is necessary to select the room so that there was no lot of free space, for which it is necessary to pay money.

**Economy on compensation.** Some organizations employ a large number of personnel to the state, or their part cannot just cope with the duties. Such workers should be revealed and discharged of work. Change of ways of payment of the salary will also be able to raise income. For example, the personnel is not interested in overall performance when it receives a salary. If the company offers them price-work payment, their ambitions on involvement of new clients will increase, and earnings will increase and income of the company begins to increase after this. It is possible to change the number of working hours, if there is no need for personnel to be present at a workplace full day.

**Economy on taxes.** Also optimization of expenses of the enterprise depends on the level of taxes. Especially for businessmen the government developed a series of various preferential programs for conducting production, which can help with business. But it is necessary to have special approach and to work only within the legislation (figure 3.2).



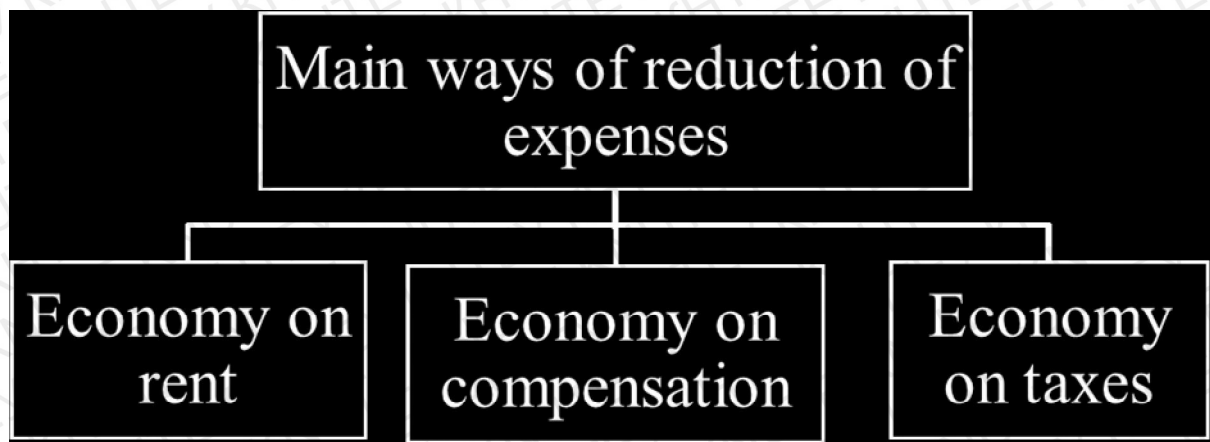


Figure 3.2. Three Main Ways of Reduction of Expenses

Source: [48]

It is possible to allocate specialization and reorganization of the company as the separate direction of economy. It is most productive if at the same time to lay off a part of workers. In such situation the organizational structure of the enterprise is reversed.

In a modern situation of economic growth such steps are considered as rather effective receptions for increase in financial independence of the company [48].

The modern organizational structure can be divided into two levels located from above ("flat structure") and from below ("narrow structure").

The essence of "flat structure" is subordinate a large number of employees to the CEO (as a rule, it is 7-10 people, and happens that their quantity reaches 15).

If there are three chiefs under supervision at the management, then it is "narrow structure". Such organization can lead to problems between functional divisions (for example, between the managers, heading projects and chiefs).

"The flat structure" from below is necessary for functioning of the company during the crisis period. Methods of cost cutting provide three solutions of this task:

- To expand structural divisions, uniting several departments (it is possible to be limited, for example, to two).

- To make intermediate levels of the management shorter (for example, to enter a new order of submission of heads of divisions: to remove departments, having left one representative of directorate).
- To define necessary quantity of positions and divisions.

Methods of cost cutting provide several directions of reductions of functions and their redistribution:

- Reduction of volumes of reporting documentation, sources of the processed data and level of specification. Quite often heads should process a large number of big and badly structured reports. If to make the level of specification lower, then work volume will decrease too (by 20-30%). It will allow to increase efficiency of adoption of administrative decisions.
- Redistribution of functions between constant structural divisions, the working groups and collegial bodies of the management.
- Distribution of functions between centers service and their outsourcing. The third-party company can render, for example, services in administration and IT support. Today it is quite favorable as the similar companies offer the services in quite reasonable price, trying to expand base of clients [57].

So the biggest problem of LLC “Ukrtransagent” is a low level of margin. Moreover, the most suitable competitive strategy for small business in the sphere of customs clearance services is focusing on expenses. We recommend this company to cut its costs or firm might go bankrupt. First, it should divide costs on priority, admissible and unnecessary. And we have defined 3 ways of economy: on rent, compensation and taxes.

### **3.2. Strategic Directions of Increasing Competitiveness of LLC “Ukrtransagent” in International Markets**

Today the problem of increase of competitiveness of the enterprise becomes more and more relevant. The market situation depends on a state and results of competition. Need of formation of production potential and increase in

competitiveness of the company is defined during development of market economy.

The enterprises place great importance to the analysis of strengths and weaknesses for assessment of real opportunities in competition and development of measures and means, at the expense of which the enterprise could increase competitiveness and provide the success. During the market research for assessment of competitiveness, enterprises use some numerical indicators, which report the degree of stability of position of the enterprise, ability to turn out the products that are best-selling in the market and providing the planned and stable end results to the enterprise.

The enterprise, which has lower costs of production, receives the big profit that allows to expand production scales, to increase its technological level, economic efficiency and quality of production and also to improve a distribution system. As a result, competitiveness of such enterprise and released production promotes increase in its share at the expense of other enterprises, which do not have such financial and technical capabilities.

The analysis of distribution costs, made by way of relation of size of marketing expenses to the profit sizes, is important. Such comparison is made usually not only on all sum of marketing expenses, but also on separate elements: to marketing branches, resellers, on concrete goods and sales markets [16].

The enterprise, that has low losses of production, receives great value of benefit. This permits to expand production scales, to increase technological level, quality of production, and to do better a distribution system. So the competitiveness of such firm and its production actually promotes increase in its share at the expense of other companies, which do not have such monetary and technical abilities.

One of the most highly effective ways of increase in competitiveness of the present enterprises is innovations. Quite often innovations are the most significant in comparison with classical resources of business. The constant activity of the enterprises, directed to improving of competitive advantages of services, is

necessary for providing a steady competitive position. It becomes very effective to invest cash not in classical spheres of business, but to the ideas, due to which the firm creates more advantages. The innovation can be defined as introduction of the latest thoughts in scales of various spheres of work of the firms that aims to its development.

Also one of the main tools of increase in ability to the competition of the enterprise is the optimum mechanism of pricing and definition of factors, that impact on determination of the price of production. Level of realization definitely describes price ability to competition of goods. Proceeding from the purposes of the activity, the seller of goods points for himself a complex of key indicators of functioning, which he is going to reach. Based on the system, tasks that form pricing policy of the seller are defined. Solutions of objectives are also the pricing mechanism. The technique of process of pricing includes the following components:

1. Policy of the prices is the general result, which is reached by sale of the production at the established prices.
2. The strategy of pricing is the certain generalized plan of functioning from a complex of the major decisions, due to which pricing policy is carried out in practice.

Ratio of the price, service and quality is a basis in ensuring of competitiveness of production. Of course, other factors (marketing, fashion, etc.), also can influence competitiveness both in positive, and in a negative side. But, despite these factors, the competitiveness is put on an initial stage of design and productions. Therefore it is influenced by marketing during sales.

Increase in competitiveness is a current problem. The solution of this problem is coherent with improvement of development, production, realization and maintenance of production.

Thanks to these efforts, it is possible to achieve the following results:

- decrease in costs of production;
- improvement of quality of production;

- stimulations of advertising campaigns;
- increases in profitability and efficiency of after-sales service.

The competitiveness has many different elements, which represent independent object of management. The competitive enterprise has strategic approach in management of competitiveness.

The enterprise, which is trying to obtain progress in marketing, is generally focused on the consumer, than the enterprise which strives for advantages in costs. However, it cannot ignore consumers too, otherwise its advantage will be fragile. Advantage of marketing is that some properties of production of firm are more preferable, than the competitor's firm [45].

Marketing is very important factor in modern business. Marketing strategy of the entity are middle- and long-term decisions, which create reference points and the directing actions of systems of marketing efforts on goal achievement. The entity in the activities in the foreign markets put this objectives, taking into account its opportunities and market requirements.

The strategy of the company consists of the planned marketing actions and necessary amendments in case of contingencies. Therefore, strategy should be considered as a combination from the planned actions and operational solutions of adaptation to the international external environment.

It should be noted, that the strategic analysis and the forecast of market capacity of the entity is the cornerstone of development of marketing strategy that unites technological and marketing capabilities. An important element of this analysis is determination of starting and potential positions of the entity in competitive struggle in the target market. The whole entities and choice of the strategy of their achievement are created, based on this analysis. Besides, the marketing activity always should have strategic nature.

Benefits of strategic approach to forming of marketing efforts give the chance:

- To direct the entity from passive adaptation to market requirements to their active forming;

- To coordinate the main fields of activity of the entity, directing their action to specific, long-term work with consumers;
- To pay attention on the perspective directions and consumers.

Principles of strategic approach to forming of the international marketing strategy:

- mutually consent with general enterprise`s strategic planning;
- basing on a fixed research of the marketing environment;
- recurrence, which expects need of marketing planning as uninterrupted process;
- flexibility, that means fixed marketing adaptation of strategy to changes in the marketing environment;
- diversity, which expects taking into account of possible changes of the environment in different options of a marketing plan and the strategy of its implementation.[46].

Five methods of forming of more effective marketing strategy are suggested:

1. Developing of operational strategy. There are questions which need to be set when forming operational strategy. What your approval process? What occurs when there is an obstacle or there are a lot of obstacles? What deadlines can't be skirted anyway and what can be moved? How do you place priorities for various projects and campaigns?

For example, Agile-methodologies in marketing are too strategies, which essence consists in the pro-active relation to changes, study of several options and flexible reaction to the arriving requests. Supporters of this strategy claim that three main benefits of Agile-methodologies are an improvement of quality of work, acceleration of releases and more accurate orientation of command for priorities.

2. Implementation of tools for joint operation. The tool is necessary for firm for the organization of working process, which will help to store on a centralized basis all working information, to update documents and to approve priorities, even if all employees appear every day at office. Search of the necessary data in e-mail,

records of teleconferences and paper notebooks takes away too much time and forces.

Researches show that 20% of working hours leave on search of internal information or the address to colleagues for the help in the solution of certain tasks. The special tool for archiving of all necessary projects, documents and discussions helps to spend less time for search of the data and on the solution of priority tasks.

3. Organization of personal meetings. Though too many meetings are inefficient, it is very important to meet regularly people confidentially and to take care of that such meetings to be useful. Periodically firm should invite oursource workers in office and organize informal and effective meetings with participation of all team members. Organizers of these meetings have to remember, that planning doesn't end with mailing of invitations. Constitute the agenda and choose subjects, which are the most useful for discussing by all team. If enterprise need any resources or information from certain participants, it should warn them in advance that it haven't been for them a surprise. It is important to elect the secretary, who will keep meeting minutes and to constitute the list of tasks, according to each agenda item. Participants of team will be able to be verified with this document, when they are planning the subsequent actions.

Brainstorming is an excellent opportunity for employees to gather in office. Besides, it can bring excellent results. In addition to training and teleconferences it is also possible to organize a couple of actions for strengthening of command spirit to help employees to rally and improve the relations. It is an excellent opportunity to find the hidden talents in people and also to strengthen a cooperation and to ensure successful team work.

4. Estimation of results. Metrics are a key to success in marketing. All efforts enclosed in a market research, development of campaigns and writing of content have to be checked, measured and estimated. Implementation of the tool, allowing to measure time of viewing of the page, to count transitions, according to references and number of prospective clients is a necessary condition for forming

of effective marketing group. The aspiration to experiments should be encouraged in the team with condition, that there is a tool, allowing to estimate results.

Analytical tools will help participants of team to find out what work is now performed and what things need to be improved. Besides, availability of metrics will allow you to look inside what prospective clients look for and what factors induce them to making purchase.

5. Checks and optimization. The rare project does without mistakes, violations of terms, misunderstanding. A human factor is a dangerous thing, but managers don't need to look for guilty or to punish all team. Failures become the same important factor as achievements. Misses give the chance to firm and to members of team to review the actions, to understand what was made wrong and what steps are necessary to undertake to exclude similar mistakes in the future.

The ideal is unattainable. Therefore, it is necessary to study progress also carefully, as well as mistakes. Having celebrated a victory, manager should think what was executed correctly and what can be improved at the following stage. Among methods of optimization of successful procedures, it is necessary to create templates. Due to them. all adjusted working processes or the adjusted fields will be executed before transition to the following stage [19].

For increasing of competitiveness of the enterprise, the following events are necessary:

- ensuring competitiveness of products in target sections of the market. The competitiveness of goods is a property that reflects its favorable differences from production of the competitor on degree of satisfaction of requirement and on expenses on it.
- increasing of productivity of the enterprise and its divisions to high level in this industry. The possibility of successful work of the enterprise in the future opens with this indicator;
- constant use of new technologies;
- production of a service of such quality which meets the domestic and international standards;



- carrying out continuous training and professional development of staff;
- systematic performing of the economic analysis for the purpose of identification strengths and weaknesses in comparison with competitors. It should be noted, that the competitive enterprise has to have following internal advantages: an economic position of firm; competitiveness of goods; profitability of sales; individual image of the enterprise; effective management [63].



Figure 3.3. Strategic Directions of Increasing of Competitiveness

Source: constructed by author.

To sum up, 5 strategic directions of increasing of competitiveness can be defined (Figure 3.3).

### **3.3. Calculation of Mid-Term Forecast Indicators of LLC “Ukrtransagent” International Economic Activity Considering Proposed Measures**

Determination of future conditions of the entity and its environment on the basis of the developed tendencies is forecasting. In case of adoption of any planned or unplanned decisions, assessment of their possible consequences is obligatory managerial action. Assessment of consequences of decisions and actions for the entity according to the tendencies of change of the external environment and condition of the entity differs from planning. Difference of these actions and decisions is in fact that during planning we are guided by the purpose, so we plan the sequence of actions and required resources for their implementation. Forecasting is a necessary component of planning and management. And success of planning and management of activities of the entity will be determined completely by quality of projections of consequences of the made decisions.

Forecasting of results of activities of the entity and its financial condition is performed on purpose of:

- estimation of financial perspectives and expected financial condition of the entity for the planned period, depending on the main possible options of its production, sales activities and its financing;
- forming of valid conclusions and recommendations about the choice of rational strategy and tactics of actions of the top management of the entity.

The production and sales program of the entity for the planned period, the planned structure of assets, including turnover, the schematic diagram of financing of assets and activities of the entity for the planned period, an opportunity to implement investment project can be among strategic and tactical decisions. Any solution about use of financial resources and consequences of implementation of this decision for a financial condition of the entity can be subjected to projection essentially.

Financial forecasting is a vital element of crisis management.

It is not unusual to hear a company's management speak about forecasts: "Our sales did not meet the forecasted numbers," or "we feel confident in the forecasted economic growth and expect to exceed our targets." In the end, all financial forecasts, whether about the specifics of a business, like sales growth, or predictions about the economy as a whole, are informed guesses. In this article, we'll look at some of the methods behind financial forecasts, as well as the process, and some of the risks that crop up when we seek to predict the future.

There are a number of different methods by which a business forecast can be made. All the methods fall into one of two overarching approaches: qualitative and quantitative.

Qualitative models have typically been successful with short-term predictions, where the scope of the forecast were limited. Qualitative forecasts can be thought of as expert-driven, in that they depend on market mavens or the market as a whole to weigh in with an informed consensus. Qualitative models can be useful in predicting the short-term success of companies, products, and services, but has limitations due to its reliance on opinion over measurable data. Qualitative models include:

- Market Research Polling a large number of people on a specific product or service to predict how many people will buy or use it once launched.
- Delphi Method: Asking field experts for general opinions and then compiling them into a forecast.

Quantitative models discount the expert factor and try to remove the human element out of the analysis. These approaches are concerned solely with data and avoid the fickleness of the people underlying the numbers. They also try to predict where variables like sales, gross domestic product, housing prices and so on, will be in the long-term, measured in months or years. Quantitative models include:

- The Indicator Approach: The indicator approach depends on the relationship between certain indicators, for example, GDP and unemployment rates, remaining relatively unchanged over time. By following the relationships

and then following indicators that are leading, you can estimate the performance of the lagging indicators, by using the leading indicator data.

- **Econometric Modeling:** This is a more mathematically rigorous version of the indicator approach. Instead of assuming that relationships stay the same, econometric modeling tests the internal consistency of datasets over time and the significance or strength of the relationship between data sets. Econometric modeling is sometimes used to create custom indicators that can be used for a more accurate indicator approach. However, the econometric models are more often used in academic fields to evaluate economic policies.
- **Time Series Methods:** This refers to a collection of different methodologies that use past data to predict future events. The difference between the time series methodologies is usually in fine details, like giving more recent data more weight or discounting certain outlier points. By tracking what happened in the past, the forecaster hopes to be able to give a better than average prediction about the future. This is the most common type of business forecasting because it's inexpensive and no better or worse than other methods.

There is a lot of variation on a practical level when it comes to business forecasting. However, on a conceptual level, all forecasts follow the same process.

1. A problem or data point is chosen. This can be something like "will people buy a high-end coffee maker?" or "what will our sales be in March next year?"
2. Theoretical variables and an ideal data set are chosen. This is where the forecaster identifies the relevant variables that need to be considered and decides how to collect the data.
3. Assumption time. To cut down the time and data needed to make a forecast, the forecaster makes some explicit assumptions to simplify the process.
4. A model is chosen. The forecaster picks the model that fits the dataset, selected variables, and assumptions.

5. Analysis. Using the model, the data is analyzed and a forecast made from the analysis.

6. Verification. The forecaster compares the forecast to what actually happens to tweak the process, identify problems or in the rare case of an accurate forecast, pat himself on the back.

Business forecasting is very useful for businesses, as it allows them to plan production, financing and so on. However, there are three problems with relying on forecasts:

1. The data is always going to be old. Historical data is all we have to go on, and there is no guarantee that the conditions in the past will continue in the future.

2. It is impossible to factor in unique or unexpected events, or externalities. Assumptions are dangerous, such as the assumptions that banks were properly screening borrowers prior to the subprime meltdown. And black swan events have become more common as our dependence on forecasts has grown.

3. Forecasts can't integrate their own impact. By having forecasts, accurate or inaccurate, the actions of businesses are influenced by a factor that can't be included as a variable. This is a conceptual knot. In a worst-case scenario, management becomes a slave to historical data and trends rather than worrying about what the business is doing now.

Forecasting can be a dangerous art, because the forecasts become a focus for companies and governments, mentally limiting their range of actions, by presenting the short to long-term future as already being determined. Moreover, forecasts can easily break down due to random elements that can't be incorporated into a model, or they can be just plain wrong from the start.

The negatives aside, business forecasting isn't going anywhere. Appropriately used, forecasting allows businesses to plan ahead of their needs, raising their chances of staying healthy through all markets. That's one function of business forecasting that all investors can appreciate.

Application of various techniques of forecasting (planning) of profit is possible in practice. They can be classified by three groups:

- Traditional methods;
- Methods of the marginal analysis;
- Economic-mathematical methods.

Such methods are usually carried to traditional forecasting methods of profit:

- Direct assortment calculation
- Integrated (by planned amount of products and change of a remaining balance of unrealized products).
- The combined calculation.

The considerable initial information is necessary for application of traditional methods. This information is not available on initial stage of forecasting. These methods were productive in the conditions of directive planning, but are a little suitable in market economy.

Methods of the marginal analysis include:

- Calculation of a breakeven point and modeling of income on the ratio of "costs-volume-profit".
- Profit planning on the basis of effect of operational and financial leverage.
- Profit planning on the basis of marginal (additional) costs and a marginal income.
- Application of these methods corresponds to the modern system of financial control, the cost accounting and forming of income and has very productive character.

However, it is limited by the relevant range and a number of conditions, among which:

- Steady nature of variable expenses to revenue from sales.
- Invariance of fixed expenses.
- Permanency of sales structure by types (groups) of products.

Application of mathematical methods is justified only on the basis of the reliable economic models, considering real factors in the predicted period. Obviously, the synthesis of the available techniques, opening various factors and influencing the

predicted profit is necessary. This synthesis can be provided as a factorial forecasting model of a sales profit, which has the following appearance:

$$PSp = PSb \pm DS \pm DN \pm DVC \pm DFC \pm DP, \quad (3.1)$$

where PSp - the predicted profit;

PSb - the profit of the basic period;

DS - influence of change of sales` volume;

DN - influence of structural shift in sales volume;

DVC - influence of change of variable expenses;

DFC - influence of change of fixed expenses;

DP - influence of change of selling prices on products of the organization.

The factorial model has the following advantages:

- It can be used in case of rather small information base;
- It allows to determine the factors, influencing change of profit and to influence them;
- On its basis it is possible to check reliability of calculation of profit by other methods (table 3.1).

So, we will use this method to make mid-term forecast of profit (next 5 years).

*Table 3.1*

Statement Data in Base Period

Indicator	Designation	Volume	Method of calculation
Realization income, ths UAH	S	70155	Statement
Variable costs, ths UAH	VC	72 866	Statement
Coefficient of variable costs	b	1,04	VC : S
Marginal income, ths UAH	MP	-2 711	S - VC
Coefficient of profit, ths UAH	a	-0,04	MP : S
Fixed costs	FC	3 468	Statement
Profit, ths UAH	PS	-6 179	MP - FC
Operational leverage	OL	0,44	MP : PS

Source: constructed by the author on the basis of financial statements of LLC “UKRTRANSAGENT”

Following objectives are forecasted on period of next 5 years (table 3.2):

Table 3.2

Proposed Mid-Term Objectives of LLC “UKRTRANSAGENT”

Indicator	2018	2019	2020	2021	2022
Realization income	10%	5%	5%	15%	15%
Variable costs	-15%	-10%	-5%	5%	5%
Fixed costs	-10%	-10%	-2%	5%	5%
Price	9%	6%	5%	5%	4%

Source: constructed by the author

We proposed program of cutting of costs at enterprise. It is the main goal for firm to avoid bankruptcy. This program should be hold during next 3 years. Further company should expand its turnover and grow. It will cause growing in costs too. That`s why in 2021 and 2022 we expect growth of realization income. Price shouldn`t be increased, because competition in price is very important in this industry and we proposed to enterprise to choose such competitive strategy. But inflation has a big impact on business, so we made forecast of prices, considering this factor.

We carry out forecast calculation of a sales profit for factors:

1. The factor of influence of sales volume on profit (DS) can be calculated by a formula:

$$DS = DTs \times OL \times PS, \quad (3.2)$$

where DTs - the predicted revenue surplus from sales; OL - an operational leverage; PS - a sales profit in a base period.

2. Influence on the profit of a factor of variable expenses (DVC) will be determined as:

$$DVC = Sb \times Ts \times VCn \times VCP, \quad (3.3)$$



where  $VC_n$  - coefficient of variable expenses taking into account structural shifts (1 -  $MP_n$ );  $VC_p$  - the forecast of decrease in variable expenses (with the negative sign).

3. Influence on the profit of a factor of fixed expenses (DFC) is determined by the direct account, but with the negative sign. In case of increase in fixed expenses, a profit will decrease on the same amount.

4. Influence of a factor of the prices (DP) on the profit will be determined by a formula:

$$DP = S_b \times T_s \times P_p, \quad (3.4)$$

where  $P_p$  - the predicted change in price for the sold products [61].

As a result, there is such forecast of realization income and profit (table 3.3):

*Table 3.3*

Forecast of Realization Income and Profit of LLC  
“UKRTRANSAGENT”, ths UAH

Indicator	2018	2019	2020	2021	2022
Realization income	77171	81029	85080	97843	112519
Profit	12654	26555	34418	48500	64549

Source: constructed by the author

To express this results in relative indicators, there is forecast of profit (table 3.4):

*Table 3.4*

Forecast of Increase of Profit of LLC “UKRTRANSAGENT”, %

	2018	2019	2020	2021	2022
Increase in profit	305%	110%	30%	41%	33%

Source: constructed by the author

So, in our forecast profit should increase greatly during next 2 years due to our proposed measurements of cutting of costs. Following 3 years potential for growth will not be so huge, so growth of profit will be slower.

### **CONCLUSIONS TO PART 3**

Reserve is a certain resource of the enterprise which is available for it, but is not used in view of certain circumstances. Also the reserve can be considered as a certain possibility, chance or capacity of the enterprise.

As we have already found out, the biggest problem of LLC “Ukrtransagent” is a low level of margin. Moreover, the most suitable competitive strategy for small business in the sphere of customs clearance services is focusing on expenses. Thus, increasing of price is unlikely to allow enterprise to be competitive in the market. Therefore, the only way to save the company is to cut costs. This mission is vital for the firm to stay solvent.

Optimization of expenses is not a single action, it is full process. Budget-cutting process has to begin with development of strategy. Before taking active actions, it is necessary to consider everything and to make the minimum plan. It is important to understand what expenses are at the enterprise, on what categories they can be distributed and which are subject to reduction first of all. It is necessary to refuse at once unnecessary expenses. And admissible expenses can be optimized and reduced. For example, it is possible to choose more economical package for mobile communication or to reduce the Internet traffic. It is time to revise efficiency of all marketing and advertizing activities, to leave only efficient. All document flow should be transferred in an electronic format to the maximum. Priority expenses could be cut down too, however on this process it is required much more time. The top management of the enterprise approves all strategy of decrease in expenses. It is possible to violate the made decisions only in exceptional cases. Financial services have to control observance of this rule. Their duty is to watch validity of expenses and to cut unnecessary expenditure.

It is possible to mark out 3 main ways of reduction of the expenses of the company mentioning different fields of activity:

- Economy on rent.
- Economy on compensation.
- Economy on taxes.

Today the problem of increase of competitiveness of the enterprise becomes more and more relevant. The market situation depends on a state and results of competition. The enterprise, that has low losses of production, receives great value of benefit. This permits to expand production scales, to increase technological level, quality of production, and to do better a distribution system. So the competitiveness of such firm and its production actually promotes increase in its share at the expense of other companies, which do not have such monetary and technical abilities. One of the most highly effective ways of increase in competitiveness of the present enterprises is innovations. Also one of the main tools of increase in ability to the competition of the enterprise is the optimum mechanism of pricing and definition of factors, that impact on determination of the price of production. Increase in competitiveness is a current problem. The solution of this problem is coherent with improvement of development, production, realization and maintenance of production. Marketing is very important factor in modern business.

Marketing strategy of the entity are middle- and long-term decisions, which create reference points and the directing actions of systems of marketing efforts on goal achievement. We suggest five methods of forming of more effective marketing strategy:

- Developing of operational strategy.
- Implementation of tools for joint operation
- Organization of personal meetings
- Estimation of results
- Checks and optimization

The production and sales program of the entity for the planned period, the planned structure of assets, including turnover, the schematic diagram of financing of assets and activities of the entity for the planned period, an opportunity to implement investment project can be among strategic and tactical decisions. Financial forecasting is a vital element of crisis management.

We proposed program of cutting of costs at enterprise. It is the main goal for firm to avoid bankruptcy. This program should be hold during next 3 years. Further company should expand its turnover and grow. It will cause growing in costs too. That's why in 2021 and 2022 we expect growth of realization income. Price shouldn't be increased, because competition in price is very important in this industry and we proposed to enterprise to choose such competitive strategy. But inflation has a big impact on business, so we made forecast of prices, considering this factor. So, in our forecast profit should increase greatly during next 2 years due to our proposed measurements of cutting of costs. Following 3 years potential for growth will not be so huge, so growth of profit will be slower.

## CONCLUSIONS

Competitive strategy of enterprise is very important on international market. Struggle for consumers influence companies a lot in modern business. It was found out in first part of this work, that competitive advantages can be different and various. They are classified on competitive advantages of low order and high order. Competitive advantages of low order could be easily lost. For example, it is cheap resources, such as labor, raw materials, energy. Such competitive advantages as unique products, high level of management, good image of company are related to competitive advantages of high order. Proceeding from types of competitive advantages, companies develop their competitive advantages.

Considerable work in research of competitive strategies was made by American economist Michael Porter. He marked out 3 main strategies of competitive behavior of enterprises, It is leadership in expenses, differentiation and specialization. Competitive strategy is defined as the long term plan of a particular company in order to gain competitive advantage over its competitors in the industry.

There are a lot of factors, which cause the choice of competitive strategy. The main factors are capability with resources, staff, management system, form of enterprise, financial state. Factors of competitiveness of the organization are subdivided into external (manifestation in small degree depends on the organization) and the internal (almost entirely determined by the management organizations).

There are such tools of assessment of competitive strategy: evaluation method of chances and risks, an evaluation method by analogy with the investment project, method of creation of the scenario.

In second chapter financial statements of LLC “Ukrtransagent” were researched in the period of 2013-2017 years. Total fixed assets of the enterprise are declining year by year. The biggest share in assets of company is trade accounts receivable. The amount of long-term debt is the same in other analyzing years. Besides short-term loans, there is a growth in other elements of short-term liabilities – accounts payable for commodities, works, services, insurance, remuneration, calculations with the budget. On the statement of profits and losses we can see, that enterprise has serious problems, especially with the main indicator of businesses – total income/loss. Permanent reducing of margin of enterprise is the main reason of such results.

Profitability ratios show us that 2015<sup>th</sup> and 2016<sup>th</sup> years were a little bit successful, but 2014<sup>th</sup> and 2017<sup>th</sup> were failure. The company showed the growth of financial sustainability indicators in 2014-2016 years. But 2017 year was worse for business activity of enterprise. Bad tendency is also increasing of accounts turnover in days. All liquidity and solvency indicators correspond with recommended during 2015<sup>th</sup>, 2016<sup>th</sup> and 2017<sup>th</sup> years.

The influence of external factors on LLC “Ukrtransagent” was considered. These factors can be divided to direct (influence of suppliers, customers, products of substitutes, competitors in industries, potential competitors, public and state organizations) and indirect impact (technological, economic, sociocultural, political). PEST- and SWOT-analysis are made for company and found out that the largest impact on LLC “Ukrtransagent`s” activity is made by political and economic factors. Especially it is tax and regulation policy, because company is dealing with authorities in customs clearance of goods. Moreover, in export-import operations economic growth, currency rates and globalization have huge importance. Sociocultural and technological don`t influence so much for logistic company.

LLC “Ukrtransagent” follows the competitive strategy of specialization. It specializes on custom`s services. The competitive strategy of focusing or the strategy of the concentrated marketing means concentration of all efforts of the

company on certain type of services. Company provides wide range of services in this segment, so we can say that this enterprise has chosen the strategy of focusing on differentiation. It tries to differentiate providing of services for different consumers.

The biggest problem of LLC “Ukrtransagent” is revealed. It is a low level of margin. Moreover, the most suitable competitive strategy for small business in the sphere of customs clearance services is focusing on expenses. Thus, increasing of price is unlikely to allow enterprise to be competitive in the market. Therefore, the only way to save the company is to cut costs. This mission is vital for the firm to stay solvent.

Three main ways of reduction of the expenses of the company mentioning different fields of activity are marked out: economy on rent, compensation and taxes. Very important factor for succeeding of business is innovations. LLC “Ukrtransagent” is aiming to use latest modern software for providing custom`s services.

Five methods of forming of more effective marketing strategy were suggested: developing of operational strategy, implementation of tools for joint operation, organization of personal meetings, estimation of results, checks and optimization.

Program of cutting of costs at enterprise is proposed. It is the main goal for firm to avoid bankruptcy. This program should be hold during next 3 years. Further company should expand its turnover and grow. In our forecast profit should increase greatly during next 2 years due to our proposed measurements of cutting of costs. Following 3 years potential for growth will not be so huge, so growth of profit will be slower.

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## APPENDIXES

### *Appendix A.1*

Dynamics of assets on LLC “UKRTRANSAGENT” in 31.12.2013-31.12.2017, ths  
UAH

Asset item	Capacity in ths UAH					Absolute deviation, (+/-)				Relative indicators, (%)			
	On 31.1 2. 201 3	On 31.1 2. 201 4	On 31.1 2. 201 5	On 31.1 2. 201 6	On 31.1 2. 201 7	201 4/ 201 3	201 5/ 201 4	20 16/ 20 15	20 17/ 20 16	2014 / 2013	2015 / 2014	2016 / 2015	2017 / 2016
I. Non-current assets:													
incomplete capital investments	21791	21791	0	0	0	0	-21791	0	0	100,0%	0,0%	-	-
fixed assets	20944	17698	14767	12637	10873	-3246	-2931	-2130	-1764	84,5%	83,4%	85,6%	86,0%
initial cost	28628	56198	56258	56382	56603	27570	60	124	221	196,3%	100,1%	100,2%	100,4%
depreciation	7685	38500	41491	43745	45730	30815	2991	2254	1985	501,0%	107,8%	105,4%	104,5%
long-term financial investments	900	1000	1000	1000	1000	100	0	0	0	111,1%	100,0%	100,0%	100,0%
other financial investments	1001	315	315	315	315	-686	0	0	0	31,5%	100,0%	100,0%	100,0%
intangible assets	0	0	0	0	0	0	0	0	0	-	-	-	-
Total fixed assets	44636	40804	16082	13952	12188	-3832	-24722	-2130	-1764	91,4%	39,4%	86,8%	87,4%
II. Current assets:													
inventories	38996	45153	34455	29985	31237	6157	-10698	-4470	1252	115,8%	76,3%	87,0%	104,2%
trade accounts	16024	18152	35966	35596	45483	2128	17814	-370	9842	113,3%	198,1%	99,0%	127,6%



receivable													
receivables with the budget	1996	2731	2785	7807	8969	735	54	5022	1162	136,8%	102,0%	280,3%	114,9%
accounts receivable for settlements	446	777	1348	5803	4058	331	571	4455	-1745	174,2%	173,5%	430,5%	69,9%
other accounts receivable	16175	19787	21878	21794	21816	3612	2091	-84	22	122,3%	110,6%	99,6%	100,1%
cash and their equivalents	547	542	1691	2654	0	-5	1149	963	-2654	99,1%	312,0%	156,9%	0,0%
other current assets	757	655	990	810	1927	-102	335	-180	1117	86,5%	151,1%	81,8%	237,9%
Total current assets	74941	87797	99113	104449	113490	12856	11316	5336	8996	117,2%	112,9%	105,4%	108,6%
III. Fixed assets, holdings for sale, and retirement groups	0	0	0	0	0	0	0	0	0	-	-	-	-
Balance	119577	128601	115195	118401	125678	9024	-13406	3206	7232	107,5%	89,6%	102,8%	106,1%

Appendix A.2

Dynamics of liabilities on LLC "UKRTRANSAGENT" in 31.12.2013-31.12.2017, ths UAH

	Capacity in ths UAH	Absolute deviation, (+/-)
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	On 31.12.	On 31.12.	On 31.12.	On 31.12.	On 31.12.	2014/	2015/	2016/	2017/
	2013	2014	2015	2016	2017	2013	2014	2015	2016
I. Owner's equity									
shareholder`s equity	92122	92122	92122	92122	92122	0	0	0	0
the equity in revaluation	17660	17074	17074	17074	17074	-586	0	0	0
reserve capital	15	15	15	15	15	0	0	0	0
retained profit	-91611	-106222	-44621	-43407	-49479	-14611	61601	1214	-1214
Total equity	18186	2989	64590	65804	59732	-15197	61601	1214	-1214
II. Long-term debt	23946	23946	38000	38000	38000	0	14054	0	0
III. Short-term liabilities:									
short-term loans	72758	97817	1564	0	0	25059	-96253	-1564	0
accounts payable for commodities, works, services	4136	3008	10208	13047	18847	-1128	7200	2839	5136
insurance	158	198	147	184	1115	40	-51	37	915
remuneration	306	330	485	912	4180	24	155	427	306
calculations with the budget	70	140	201	425	3804	70	61	224	307
current providing	11	167	0	0	0	156	-167	0	0
Other short-term liabilities	6	6	0	29	0	0	-6	29	0
Total short-term liabilities	77445	101666	12605	14597	27946	24221	-89061	1992	101666
IV. Liabilities related to fixed assets held for sale and disposal groups	0	0	0	0	0	0	0	0	0

Balance	119577	128601	115195	118401	125678	9024	-13406	3206	7
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*Appendix B*

Structure of assets on LLC “UKRTRANSAGENT” in 31.12.2013-31.12.2017

Asset item	Share, %					Absolute deviation, (%)			
	On 31.12. 2013	On 31.12. 2014	On 31.12. 2015	On 31.12. 2016	On 31.12. 2017	2014/ 2013	2015/ 2014	2016/ 2015	2017/ 2016
I. Non-current assets:									
incomplete capital investments	18,22 %	16,94 %	0,00%	0,00%	0,00%	-1,28%	- 16,94 %	0,00%	0,00%
fixed assets	17,52 %	13,76 %	12,82 %	10,67 %	8,65%	-3,75%	-0,94%	-2,15%	-2,02%
long-term financial investments	0,75%	0,78%	0,87%	0,84%	0,80%	0,02%	0,09%	-0,02%	-0,05%
other financial investments	0,84%	0,24%	0,27%	0,27%	0,25%	-0,59%	0,03%	-0,01%	-0,02%
intangible assets	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Total fixed assets	37,33 %	31,73 %	13,96 %	11,78 %	9,70%	-5,60%	- 17,77 %	-2,18%	-2,09%
II. Current assets:									
inventories	32,61 %	35,11 %	29,91 %	25,32 %	24,86 %	2,50%	-5,20%	-4,59%	-0,47%
trade accounts receivable	13,40 %	14,11 %	31,22 %	30,06 %	36,17 %	0,71%	17,11 %	-1,16%	6,13%
receivables with the budget	1,67%	2,12%	2,42%	6,59%	7,14%	0,45%	0,29%	4,18%	0,54%

accounts receivable for settlements	0,37%	0,60%	1,17%	4,90%	3,23%	0,23%	0,57%	3,73%	-1,67%
other accounts receivable	13,53%	15,39%	18,99%	18,41%	17,36%	1,86%	3,61%	-0,59%	-1,05%
cash and their equivalents	0,46%	0,42%	1,47%	2,24%	0,00%	-0,04%	1,05%	0,77%	-2,24%
other current assets	0,63%	0,51%	0,86%	0,68%	1,53%	-0,12%	0,35%	-0,18%	0,85%
Total current assets	62,67%	68,27%	86,04%	88,22%	90,30%	5,60%	17,77%	2,18%	2,09%
III. Fixed assets, holdings for sale, and retirement groups	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Balance	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%

### Appendix C

#### Structure of liabilities on LLC "UKRTRANSAGENT" in 31.12.2013-31.12.2017

	Capacity in ths UAH					2014/ 2013
	On 31.12. 2013	On 31.12. 2014	On 31.12. 2015	On 31.12. 2016	On 31.12. 2017	
I. Owner's equity						
shareholder`s equity	77,04%	71,63%	79,97%	77,81%	73,30%	-5,41%

the equity in revaluation	14,77%	13,28%	14,82%	14,42%	13,59%	-1,49%
reserve capital	0,01%	0,01%	0,01%	0,01%	0,01%	0,00%
retained profit	-76,61%	-82,60%	-38,74%	-36,66%	-39,37%	-5,99%
Total equity	15,21%	2,32%	56,07%	55,58%	47,53%	-12,88%
II. Long-term debt	20,03%	18,62%	32,99%	32,09%	30,24%	-1,41%
III. Short-term liabilities:						
short-term loans	60,85%	76,06%	1,36%	0,00%	0,00%	15,22%
accounts payable for commodities, works, services	3,46%	2,34%	8,86%	11,02%	15,00%	-1,12%
insurance	0,13%	0,15%	0,13%	0,16%	0,89%	0,02%
remuneration	0,26%	0,26%	0,42%	0,77%	3,33%	0,00%
calculations with the budget	0,06%	0,11%	0,17%	0,36%	3,03%	0,05%
current providing	0,01%	0,13%	0,00%	0,00%	0,00%	0,12%
Other short-term liabilities	0,01%	0,00%	0,00%	0,02%	0,00%	0,00%
Total short-term liabilities	64,77%	79,06%	10,94%	12,33%	22,24%	14,29%
IV. Liabilities related to fixed assets held for sale and disposal groups	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Balance	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%

Dynamics of financial results on LLC “UKRTRANSAGENT” in 2013-2017 years,  
ths UAH

	Capacity in ths UAH					Absolute deviation,		
	2013	2014	2015	2016	2017	2014/	2015/	2017/
						2013	2014	2017
1. Financial results								
Net income from realization	313957	91549	144580	149945	70155	-222408	53031	536
Cost	-223459	-68868	-122003	-130564	-72866	154591	-53135	-856
Gross profit	90498	22681	22577	19381	-2711	-67817	-104	-319
Other operational income	1814	420	0	368	107	-1394	-420	368
Administrative expenses	-11710	-8943	-10329	-14736	0	2767	-1386	-440
Other operational expenses	-2551	-23337	-14043	-3532	-3468	-20786	9294	105
Financial result from operational activity	78051	-9179	-1795	1481	-6072	-87230	7384	327
Financial expenses	-114156	-5605	0	0	0	108551	5605	0
Other financial income	0	0	1932	0	0	0	1932	-1932
Losses from participation in equity	0	-586	0	0	0	-586	586	0
Financial result before taxation	-36105	-15370	137	1481	-6072	20735	15507	134
Expenses from income tax	0	0	0	-267	0	0	0	-267
Net income /loss	-36105	-15370	137	1214	-6072	20735	15507	107
Total income/loss	-36105	-15370	137	1214	-6072	20735	15507	107
2. Elements of operational expenses								

Material expenses	193099	33115	63422	56773	56568	-159984	30307	-664
Expenses on compensation	8070	7619	10471	12948	8147	-451	2852	247
Expenses on social actions	2959	2790	2904	2793	1708	-169	114	-11
Depreciation	3272	3269	3000	2174	1985	-3	-269	-82
Other expenses	30147	54355	146375	69755	7926	24208	92020	-766
Total expenses	237547	101148	226172	144443	76334	-136399	125024	-817