

**Kyiv National University of Trade and Economics**

**Hotel and Restaurant Business Department**

**FINAL QUALIFYING PAPER**

**on the topic:**

**«THE ECONOMIC STRATEGY OF THE RESTAURANT «WHITE NOISE»,  
KYIV»**

Student of the 2<sup>nd</sup> year, group 3a,  
Field of study 073  
«Management»  
Specialization  
«Hotel and Restaurant  
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## Kyiv National University of Trade and Economics

Faculty of	Restaurant, hotel and tourism business	Department of	Hotel and restaurant business
Specialty	073« Management »		
Specialization	Hotel and Restaurant Management		

### Approved by

Head of the Department \_\_\_\_\_  
(Margarita H. Boyko)  
on \_\_\_\_\_, \_\_\_\_\_, 2018

### Task

#### for a final qualifying paper

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(last name, initials)

1. Topic of a final qualifying paper: The economic strategy of the restaurant «White Noise», Kyiv. Approved by the Rector's order from 11.10.2018 № 3670.
2. Term of submitting by a student his/her terminated paper: 16.11.2019
3. Target setting and output data to the final qualifying work:

**Purpose of research** is to develop theoretical and methodological regulations, methods of effectiveness estimation, guidelines and suggestions for implementation of economic strategy in restaurant business based on the study of new conceptual framework and methodological approaches to improve the assessment of the development of economic strategy in restaurant business.

**The object of research** is theoretical, methodological and practical aspect of economic strategy in restaurant business.

**The subject of research** is implementation of economic strategy of the restaurant «White Noise», Kyiv.

4. Illustrative material, Figures: The classification of economic strategies, Types of economic strategies, The list of services at the «White Noise» restaurant, Kyiv, The organizational structure of the «White Noise» restaurant, Kyiv, The structure of the balance of the «White Noise» restaurant for 2016-2018, Composition, structure and dynamics of «White Noise» restaurant working capital for 2016-2018, Composition, structure and dynamics of equity of «White Noise» restaurant for 2016-2018, The «White Noise» restaurant direct competitor analysis, Competitive forces threat analysis, Analyze opportunities that are emerging in the market, Impact of economic factors on the implementation of White Noise restaurant economic strategy

5. Contents of a final qualifying paper (list of all the sections and subsections)

INTRODUCTION

**PART 1. THEORETICAL FOUNDATIONS OF IMPLEMENTATION OF ECONOMIC STRATEGY IN RESTAURANT BUSINESS**

- 1.1. Analytic literature review of economic strategy in restaurant business
- 1.2. Methodological approaches of economic strategy in restaurant business

**PART 2 PRACTICAL ASPECTS OF ECONOMIC STRATEGY IN THE RESTAURANT «WHITE NOISE», KYIV**

- 2.1. Organizational and economic assessment of restaurant «White Noise»
- 2.2. Competitor analysis of restaurant «White Noise»
- 2.3. The level of economic development strategy realization

**PART 3. DIRECTIONS OF IMPROVEMENT OF ECONOMIC STRATEGY IN THE RESTAURANT «WHITE NOISE», KYIV**

- 3.1. Propositions for improvement of economic strategy in restaurant
- 3.2. Improvement of commercial application of restaurant «White Noise»

CONCLUSIONS AND PROPOSALS

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APPENDICES

6. Time schedule of the paper:

№	Stages of the final qualifying paper	Terms of the final qualifying Paper	
		de jure	de facto
1	Choosing and approval of the final qualifying paper topic	01.09.2018 p.- 31.10. 2018 p.	31.10. 2018 p.
2	Preparation and approval of task for the final qualifying paper	01.11.2018 p.- 31.12.2018 p.	31.12.2018 p.
3	Writing of the 1 <sup>st</sup> part of the final qualifying paper	02.01.2019 p.- 11.05.2019 p.	11.05.2019 p.
4	Defense of the 1 <sup>st</sup> part of the final qualifying paper in scientific adviser	14.05.2019 p.- 18.05.2019 p.	18.05.2019 p.
5	Writing and preparation for publication of a scientific article	18.05.2019 p.	18.05.2019
6	Writing and defense of the 2 <sup>nd</sup> part of the final qualifying paper in scientific adviser	18.05.2019 p.- 07. 09. 2019 p.	07. 09. 2019
7	Defense of the 2 <sup>nd</sup> part of the final qualifying paper in scientific adviser	07.09.2019 p.- 10. 09. 2019 p.	10.09.2019 p.
8	Writing and defense of the 3 <sup>rd</sup> part of the final qualifying paper in scientific adviser	11.09.2019 p. - 28.10.2019 p.	28.10.2019 p.
9	Registration of the final qualifying work and abstract for preliminary protection in commissions	29.10.2019 p.- 31.10.2019 p.	31.10.2019 p.
10	Presentation of final qualifying paper and abstract on the department	16.11.2019 p	16.11.2019 p.
11	Presentation of the final qualification work to the Dean's Office for receiving a referral for an external review	16.11.2019 p. 18.11.2019 p	18.11.2019 p.
12	Preparation of final qualifying paper to defense in the Examination Board	18.11.2019 p.- 01.12.2019 p.	01.12.2019 p.
13	Defending of the final qualifying paper in the Examination Board	According to the schedule	2. 12.2019 p.

7. Date of receiving the task: 28.12.2018

8. Scientific adviser of the final qualifying paper \_\_\_\_\_

Mariia V. Kulyk

9. Manager of the educational program \_\_\_\_\_

Nadiya I. Vedmid

10. The task received by the student \_\_\_\_\_

Iryna V Ukolova

## 11. Resume of a scientific adviser of a final qualifying paper

Student Iryna V. Ukolovaperformed the final qualifying paper in a due time according to the schedule. According to the content, structure, and design the performed work meets the requirement. The final qualifying paper is performed on the actual theme.

In the first chapter was examined the theoretical basis of the economic management system in the restaurant industry, the essence of "economic strategy", its features and effective ways of its strategy components.

In the second chapter economic assessment of restaurant "White noise" was analyzed. The analysis level of economic strategy implementation and how strategy effects on restaurant's economic situation were explored.

The third chapter is dedicated to the propositions for improvement of economic strategy in restaurant and developing of mobile application of restaurant "White noise" as the instrument of economic strategy. The purpose of the final qualification work was achieved and scientific tasks were met the execution. The work is recommended for the defense in the examination committee.

Scientific adviser of a final qualifying paper \_\_\_\_\_ M.V.Kulyk

## 12. Resume about a final qualifying paper research

A final qualifying paper (project) of the student \_Iryna\_V\_Ukolova

(last name, initials)

can be admitted to defence in the Examination Board.

Manager of the educational program \_\_\_\_\_ Nadiya I. Vedmid

Head of the Department \_\_\_\_\_

Margarita H. Boyko

\_\_\_\_\_, \_\_\_\_\_, 2019

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## INTRODUCTION

**Actuality of theme.** In a highly competitive environment, a strategic approach to economic is one of the key tools for increasing competitiveness as a factor of business success in the long run. Economic strategy exists in the form of a vision of the company management of the process of economic activities in the short term. In this position, the economic strategy, as an intellectual product, answers the fundamental questions of the economic activity of the company - about its goals, ways of their achievement, available resources, the situation on the markets and existing and potential consumers of the company's products. The effectiveness of executing strategically important economic decisions depends directly on the quality of the developed economic strategy, about the formation process of which there is currently no consensus.

Any product or service selling campaign begins with the development of an economic strategy. The goals, objectives and basic tools that can be achieved are formulated. The study of economic strategies and the impact of the competitive market on their formation are among the most relevant studies, as they allow us to identify the basic tactics and patterns in an ever-changing market. The presence of economic strategy allows company to create a positive image of it in the eyes of the target audience, increase sales, gain a significant market share.

Ukrainian and foreign scientists, such as Chandler A.D.[12], M.A. Bennett [8], A.V. McKiernan [27], N.S. Terra [33], L.S. Davenport [34], EV Wilson [36], P. Pierre S. Du Pont [39], O.M. Chamberlain [11] and others devoted their research to the nature, role and sequence of economic strategy formation. However, globalization and current trends in the development of the restaurant industry lead to an objective need to deepen the knowledge of the peculiarities of the formation of the economic strategy of the enterprise.

**The purpose** of the final qualifying paper is to formulate theoretical, methodological foundations and practical recommendations for improving the formation of economic strategy of the restaurant business.

To achieve the goal of the study, the following questions were set and solved:

- consider the nature and role of economic strategy and factors influencing its formation;
- to explore methodological approaches to the formation of economic strategy in the restaurants;
- provide organizational and economic characteristics of the restaurant and analyze its financial activities;
- study the planning and implementation of the economic campaign and its impact on the performance of restaurant;
- to substantiate strategic directions of formation of economic strategy of «White Noise» restaurant;
- to develop a restaurant economic strategy.

**The subject** of the research is the process of forming an economic strategy at a restaurant business.

**The object** of the study is theoretical and practical aspects of the formation of economic strategy in the restaurant business.

**Research methods.** When writing the final qualification work traditional methods of analysis were used, namely: comparison, grouping, analysis and synthesis, structures, graphical method, expert method, SWOT-analysis method and others.

**Practical value.** The results of the study: the main points are reflected in the article: "Economic strategies for restaurant business", which was published in the collection of scientific articles of students of KNTEU (Appendix A).

**Structure of the work:** The work consists of an introduction, three sections, conclusions and suggestions, a list of sources and applications used.



## **PART 1**

### **THEORETICAL FOUNDATIONS OF IMPLEMENTATION OF ECONOMIC STRATEGY IN RESTAURANT BUSINESS**

#### **1.1 Analytic literature review of economic strategy in restaurant business**

Success and profitability of organization directly depends on economic strategy level, market position and right choice of setting marketing tasks and goals. That's why topic of theoretical foundation and implementation of economic strategy as the determination of long-term goals and objectives becomes totally popular and important since second half of XXth century after Alfred D. Chandler publication "Strategy and Structure: Chapters in the History of the Industrial Enterprise". At this research author present economic strategy as the adoption of courses of action and associated allocation of resources required to achieve goal, he defined organizational structure as the design of the company through which strategy is administered [1].

The idea that "structure follows strategy" is fully associated with the American business historian Alfred DuPont Chandler [3, p.120]. In discussing the relationship between strategy and structure, Chandler was among the first to use the term strategy in a business context and to portray both strategy and structure as results of managerial choices rather than treat them as givens. These ideas were a strong catalyst to the development of strategy as a field of academic study and are widely considered to be among the most important ones that emerged in management literature.

In summary he highlighted three theses:

1. Adoption of long-term goals and tasks;
  2. Definition of main strategy realization stages;
  3. Resources differentiation between principal ways of strategy realization
- [6, p.121].

Lately more and more scientists became research this issue. Such researchers as Tim Hannagan, Nicolai J. Foss, Arthur Stynchcomb, Makedon V. V., Kuzmak O. I. ,

Vlasenko V. A. and many others presented their theories and solutions about implementation of economical strategies to provide corporate efficient profitable development and successful plan realization. But two historical discovering that totally established strategic management as a field of study was opened in 1980 [10, p. 88]. First was the invention of the Strategic Management Journal. The introduction of the journal offered a list for researchers interested in building knowledge about strategies in management. The second fundamental event in 1980 was the publication of *Competitive Strategy: Techniques for Analyzing Industries and Competitors* by Harvard professor Michael Porter. This researchers work offers concepts such as five forces analysis and generic strategies that still going to strongly influence how executives choose economic and other strategies more than thirty years after the book's publication. Proposed the high importance of these concepts, both analysis of five forces and generic strategies are discussed in detail in this work [7, p.34].

All known enterprise strategies today can be grouped into specific groups, but despite this, it should be noted that any strategy chosen by a particular company will always be individual as it is formed and implemented under the influence of many factors of the internal and external environment. It can be confidently stated that there cannot be two exactly the same strategies, just as there can be no two exactly the same people. However, in the management of the enterprise often determine the overall strategies of the company, give them specific names and characterize them based on the common features that are inherent to them.

According to Dave Ketchen, Jeremy Short, David Trydefining strategy is not simple. Economic strategy is a complex concept that involves many different processes and activities within an organization. To capture this complexity, Professor Henry Mintzberg of McGill University in Montreal, Canada, articulated what he labeled as "the 5 Ps of strategy" [8]. According to Mintzberg, understanding how strategy can be viewed as a plan, as a ploy, as a position, as a pattern, and as a perspective is important. Each of these five ways of thinking about strategy is necessary for understanding what strategy is, but none of them alone is sufficient to master the concept [8, p. 67].

Understanding different ways of thinking about strategy is the first step toward

mastering the art and science of strategic management. The five Ps of strategy developed from the work of Henry Mintzberg help to provide an overview of the most commonly used definitions and types of strategy.

According to this, well-known economic enterprise strategies which could be suitable for restaurant business as well, can be classified into the groups we can find in the Table 1.1 [15, p. 145]:

*Table 1.1*

**The classification of economic strategies**

	Name of strategy group	Type of strategies
1.	Strategies for concentrated growth	- strategy of strengthening the position in the market; - market development; - product development strategy.
2.	Integrated Growth Strategies	- the strategy of vertical integration "reverse"; - strategy of vertical integration "forward"; - horizontal integration strategy.
3.	Stabilization strategies	- market share protection strategy; - strategy of support of production; - product modification strategy .
4.	Restructuring strategies	- strategy of growth through acquisition; - strategy of product-market reorientation; - organizational change strategy.
5.	Diversified growth strategies	- strategy of centered diversification; - strategy of conglomerate diversification; - horizontal diversification strategy.
6.	Reduction strategies	- cost reduction; - harvesting; - strategy of reduction of activity; - liquidation strategy.

The first group of strategies for concentrated growth include:

- strategy of strengthening the position in the market (under this strategy the company tries to take the best positions with this product and in this market);
- market development strategy (when an enterprise is looking for new markets for a product that has already proven itself well in other markets);

- product development strategy (in the already conquered markets there is improvement of the product due to modernization, modification, etc.).

Second group of integrated growth strategies consist from:

- the strategy of vertical integration "reverse" (this strategy assumes that the production enterprise combines its activity with the enterprises-suppliers);
- strategy of vertical integration "forward" (assumes that the production enterprise combines its activity with the enterprises of the distribution network);
- horizontal integration strategy (assumes that the enterprise combines its activity with other enterprises, from which this enterprise is neither functional nor organizationally dependent).

Third group of stabilization strategies are:

- market share protection strategy (this strategy assumes that the company protects the conquered market by gradual product modification, maintenance service, etc.);
- strategy of support of production potential (this strategy is aimed at strengthening of individual business lines of the enterprise and maintaining in proper condition of property complexes for production of certain types of products);
- product modification strategy (aimed at continuous improvement of the product, the essence of this improvement is regularly brought to the consumer with powerful advertising support and other measures).

Restructuring strategies include:

- strategy of centered diversification (under this strategy the existing business remains in the focus of the enterprise, and the new one arises on the basis of opportunities of the already mastered market, existing technologies, and also depends on other strengths of the enterprise);
- strategy of conglomerate diversification (under the given strategy the enterprise expands its activity by assimilation of production of previously unreleased products that are characteristic of other branches of production);
- horizontal diversification strategy (this strategy is aimed at finding growth opportunities in the existing market due to new products, and this requires new technologies that are different from the existing ones).

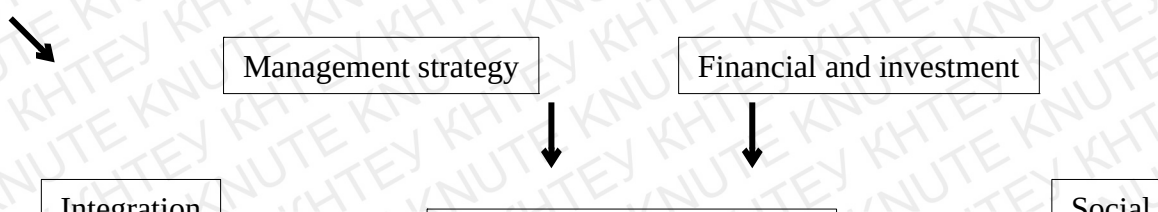
Last group of economic strategies are reduction strategies which consist from:

- cost reduction strategy (this strategy provides for cost reductions at the expense of appropriate organizational measures, which are classified as temporary in the period of implementation);
- harvesting strategy (involves abandoning business as long-term activity in this market and aiming to maximize returns in the short term);
- strategy of reduction of activity (this strategy consists in the fact that the enterprise closes or sells one of its divisions or property complexes for the production of a certain product);
- liquidation strategy (represents the extreme case of a reduction strategy and applies in the event that an enterprise for various reasons cannot continue the business) [18, p. 201].

These strategies groups cannot usually be considered completely complete, but they can be complemented by other strategies.

There are several main directions (types) of economic strategies:

1. Technological - strategic decisions in the field of technology, their development and influence on market factors.
2. Commodity market - a set of solutions for the nomenclature, quality and volume of output, methods of the company's behavior on the market.
3. Financial and investment - a set of decisions on how to attract, spend or accumulate financial resources.
4. Integration - solutions for the integration of functional and managerial interactions with partner enterprises.
5. Resource-market - decisions on the behavior of firms in the market of production resources and factors.
6. Social - decisions about the structure of the collective, the nature of its relationship with shareholders.
7. Management strategy - decisions affecting the nature of the company's management in the implementation of a specific strategy[21, p. 87].



### Figure 1.1 Types of economic strategies

An economic strategy aims to address the same issues as any other strategy:

- what and in what quantity to produce?
- how and by what means to make?
- for whom and when to make?

In order to address these issues, an economic strategy needs to develop certain rules and techniques:

- research of conditions of competitive advantage and formation of the most attractive mission of the restaurant;
- research of markets of potential goods and services corresponding to the mission of the restaurant;
- formation of product assortment of the restaurant that maximally takes into account the needs of potential consumers;
- allocation of all available resources between different activities so as to maximize productivity from their use;
- interaction with the markets of the main factors of production that will support the economic potential of the restaurant at a cost-effective level;
- formation of an effective pricing policy of the restaurant that will ensure the competitiveness of its products in traditional and new markets;
- early identification of the crisis tendencies of the restaurant and prevention of its bankruptcy [10, p. 50].

### 1.2 Methodological approaches of economic strategy in restaurant business

Economic strategy of the restaurant develops rules and techniques for research and formation of potential markets for goods and services that are relevant to the mission of the enterprise. The main tasks of an economic strategy are:

- to link the prospective tasks (mission) of the restaurant with the potential market opportunities and resources that the restaurant will possess in the strategic perspective;
- life cycle analysis of individual products;
- development of rules of formation of commodity assortment that provides competitive advantage of the restaurant and maximization of economic profit in the long term.

The economic strategy of the enterprise in restaurant business consists of separate elements that are oriented to the external and internal spheres of activity of the enterprise. This means that the results of the implementation of strategic decisions by the management of a restaurant in one or another branch, on the one hand, influence the influence of these areas on the nature of the decisions made, and on the other - the influence of the strategic decisions on the processes occurring in the internal and external environments [12, p. 38].

1. Pricing strategy. The pricing strategy is based on the development of:

- pricing rules;
- techniques of price competition;
- techniques for monitoring situations occurring in the markets of factors of production, securities and currency markets, and changes in pricing principles depending on these situations;
  - monitoring supply and demand changes;
  - methods of estimating price elasticity of demand;
  - principles of accounting for the impact of macroeconomic and microeconomic factors on pricing processes.

The pricing strategy should address the issue of shaping the behavior of a restaurant in certain segments of the market in order to attract not only a larger number of potential guests, but also to generate sustainable consumer benefits in relation to the brand of the enterprise and its products through an effective pricing

policy.

2. Strategy of interaction of restaurant with markets of strategic resources. The implementation of this strategy involves the development of principles that allow efficient allocation of resources and on this basis to select the most attractive suppliers of production resources. This component of the economic strategy should be based on a study of the factors that determine the demand for resources from the restaurant. It is closely linked to a strategy of reducing production costs.

3. Strategy of behavior of the restaurant in the markets of money and securities. This strategy is to develop rules for mobilizing additional financial resources that can be used as investments or to solve current financial problems. The strategy develops rules and techniques for monitoring these markets, constantly monitoring the dynamics of the market and choosing attractive forms and terms of obtaining loans, buying or selling securities, selecting the types of securities that are most relevant to the strategic goals of the company, choosing the most trusted issuers of securities. This component of the economic strategy is embodied in the restaurant's securities portfolio.

4. A strategy for reducing transaction costs. Transaction costs include various costs associated with signing contracts, contracts, agreements. The strategy of reducing this type of cost is to prevent unnecessarily expensive business trips, obtaining false information, signing of insignificant agreements. This strategy develops rules and techniques for selecting the most attractive customers (guests of the restaurant), methods of studying potential competitors, methods of forming a stable desire for cooperation with the company. An important task in the implementation of this strategy is the creation of databases of potential transaction partners.

5. Strategy for reducing production costs. The main objective of this strategy is to provide competitive advantages by reducing costs. This economic strategy develops the basic rules and techniques for regulating the process of cost formation, both due to factors of production and strategic analysis of costs at all stages of cost increases from the beginning of production to the promotion of goods to the market to the potential consumer.



6. Strategy of investment activity of the enterprise. This strategy is aimed at improving the material and technical base of the restaurant. Therefore, it involves the development of rules and techniques that contribute to the restoration of fixed assets, their modernization, technical re-equipment, reconstruction and more. Investment activity is related to innovations in various fields of technology, production organization.

7. Strategy of stimulation of the personnel of the restaurant. This strategy is one of the most important components of the economic strategy because it creates a “motivational field”, under the influence of which the interest of the company staff in the effective, high quality and timely satisfaction of market demands is activated. It develops rules and techniques that form incentives that relate the activities of staff to the end results of the restaurant in all areas of its operation.

8. A strategy for preventing the bankruptcy of a restaurant. This strategy is, in essence, a generalization to all of the economic strategies discussed above. Its main task is to identify so-called "weak signals" in a timely manner, informing of the possibility of crisis trends and development of rules and methods for preventing these crisis tendencies. Moreover, these rules and techniques should be formulated within the framework of commodity, price, investment and other components of the economic strategy [13, p. 63].

Thus, an economic strategy is a set of interrelated and interdependent components that are united by a single global goal - to create and maintain a high level of competitive advantage for the restaurant. That is, an economic strategy is a system of ensuring the competitive advantage of the enterprise. The most important system-forming elements of an economic strategy are: commodity strategy, strategy of interaction with markets of factors of production, strategy of reduction of transaction costs, strategy of investment activity of the restaurant, strategy of prevention of insolvency (bankruptcy) of the restaurant.

Any company has the right to freely choose its economic strategy, but this choice must be thoroughly justified and therefore depends on a detailed study of all external and internal conditions that affect the development and functioning of the restaurant. That is, it is necessary to make a careful analysis of these conditions,

which is traditionally divided into three main groups:

1. analysis of the macro-environment of the restaurant;
2. analysis of subjects of the surrounding environment;
3. analysis of the internal environment of the restaurant.

Each of these analysis groups contains several major components. Thus, the analysis of the macro and internal environment of the restaurant includes the following components: economic, legal, political, social and technological.

Research of periodicals makes it possible to synthesize information on the essence of the "restaurant economic strategy", while highlighting individual provisions, which are the main focus. Restaurant economic strategies are mostly focused on the long term and require investment, and this is characterized by an appropriate level risk. The risks need to be addressed during the economic strategy.

To the main factors of negative influence are: inadequacy of external conditions of development markets; reducing performance activity of the restaurant; loss of control over the risks; the possibility of losses due to lower quality of assets; excess investment; mismatch of production structure systems to potential activity scales etc[9, p.42].

In addition, the ability to take risks operations are not vested in all executives, so often there are situations where projects are rejected even with minimal risk. Given the long-term nature of the implementation of the economy strategy, it is necessary to lay in advance opportunities for the company to take appropriate action to change the market situation.

Identifying opportunities for restaurant development is based on a thorough diagnosis of internal and the environment. The key to successful implementation of the restaurant economic strategy is its innovative focus. Every strategy oriented towards positive results(increase of profit, increase of profitability of activity) which will help to increase competitiveness of production of the restaurant as a whole.

Therefore, the strategy of restaurant economic development can be described as long-term flexible plan of innovative orientation with an appropriate level of risk based on a detailed analysis of the internal and external environment of the restaurant, depends from human factors and needs investment to achieve effective

results, increase product competitiveness.

Economic strategy refers to the cost-effective achievement of goals by economic methods and techniques.

The economic strategy of the restaurant develops:

- a) rules and techniques that ensure cost-effective achievement of goals;
- b) rules and techniques for achieving strategic goals based on the interest of all participants in the process of forming and implementing the economic strategy.

Moreover, the economic strategy should develop such rules and methods for choosing the goals and means of achieving them, so that the direction of any resource to the realization of one or another goal does not have a negative impact on the implementation of at least one of the other strategic goals.

That is, the economic strategy contributes to the process of maintaining the restaurant as a continuous economic system in a state that meets the criteria of economic efficiency[18, p.120].

## PART 2

### PRACTICAL ASPECTS OF ECONOMIC STRATEGY IN THE RESTAURANT «WHITE NOISE», KYIV

#### 2.1. Organizational and economic assessment of restaurant «White Noise»

«White Noise» restaurant is situated at central and historical part of Kyiv -- Podil at the building of BURSA hotel Kyiv, nearby most popular bars and restaurants of Kyiv. Address of this establishment is Konstantynivska 11/13 street, Kyiv. Features of the «White Noise» restaurant are super friendly, fancy, stylish atmosphere, prices higher than middle and excellent service. It is a good place for meetings, business meetings and events. There are two zones for 80 people for rest and celebrations. The restaurant offers delicious European cuisine: tender meat and fish dishes, exquisite hot dishes, juicy vegetable snacks, salads, mouth-watering desserts. Banquets have been designed with a special holiday menu to treat guests. Characteristics of the establishment: total number of places - 80; number of halls - 2; there are 20 seats at the summer patio. Customer service is provided by waiters. Methods of payment with customers for food: cash and credit card system.

Consumers of the enterprise are people of average wealth. The cafe has a spacious summer patio. Live music is also available during certain events. The list of services provided by the «White Noise» restaurant is given in Table 2.1

*Table 2.1*

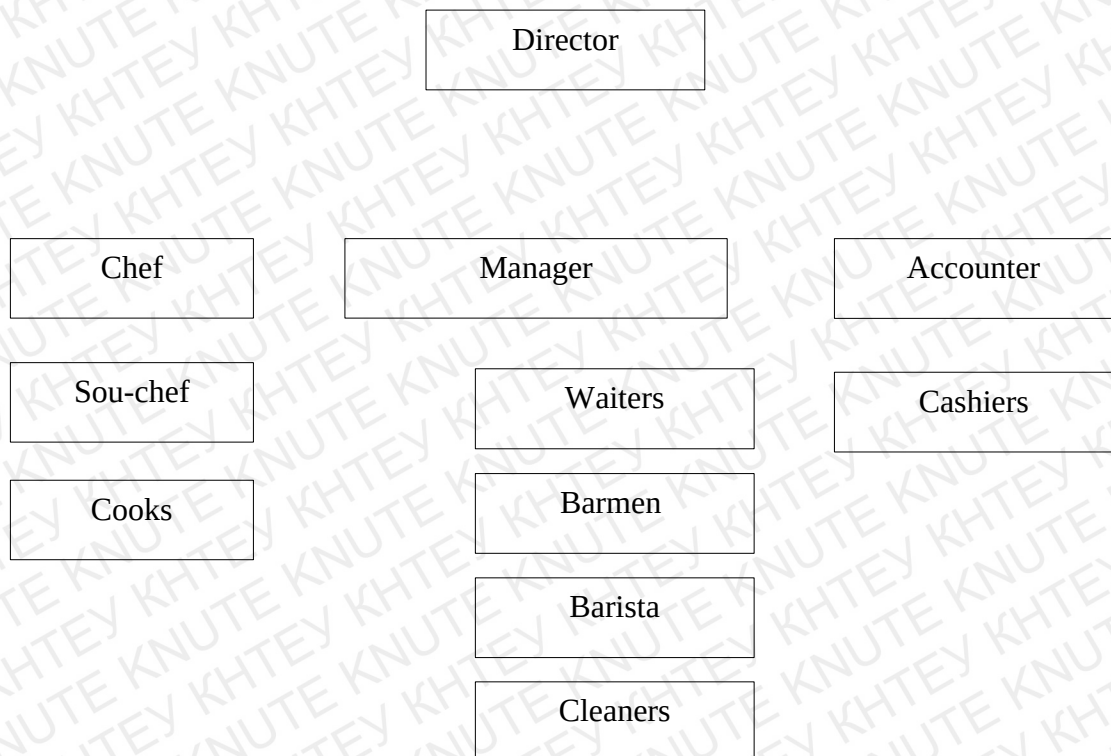
#### The list of services at the «White Noise» restaurant, Kyiv

Types of services	List of services
Main services	Catering in the restaurant
	Live music
	Wedding and event organization
	Organization of corporate holidays
	The dance floor, exhibition space

*End of the table 1.1*

Additional services	Reservation of seats in the cafe by phone
	Packaging of products left over after customer service
	Storage of personal belongings (outerwear) of the consumer
	Call a taxi on request (request) of the consumer
	Parking for consumer cars on the territory of the enterprise under guard

The restaurant's staff consists from 25 people. The organizational structure of the «White Noise» restaurant management is shown in Figure 2.1.



**Figure 2.1. The organizational structure of the «White Noise» restaurant, Kyiv**

As can be seen from Fig. 2.1, the organizational structure of management in the «White Noise» restaurant is based on the principle of hierarchy of levels of management, in which each lower level is controlled and subordinate to the higher one. The principle of work division into separate functions and specialization of employees from the performed functions is carried out. As «White Noise» restaurant is situated at BURSA hotel and performs role of breakfast restaurant for its guest such departments as HR, marketing, PR and conference & events are common and included into hotel's organizational structure.

To organize the mode of work of employees in the restaurants they use two

team schedules. The work hours of the kitchen and the staff in the hall are different. Kitchen workers work "three days in three" from 6:00 to 18:00 and 11:00 to 23:00. There are two managers in the restaurant; their work schedule is three through three. The waiters work two through two, from 6:30 to 14:00 and 14:00 to 23:00. One barista and bartender work at the bar in one shift: barista from 6:30 to 14:00 and bartender from 14:00 to 23:00 two days through two.

Each employee in the institution is responsible for compliance with the rules of personal hygiene, for the state of the workplace, for the fulfillment of technological and sanitary requirements in their area.

The restaurant strictly keeps a record of the passing of all safety and health instruction by the employees, as well as medical examination and hygiene training.

The timeliness of the service is twofold, as by the mornings there are not too many visitors and waiters, kitchens and bartenders manage to make an order, but in the evenings, especially at weekends, with increasing consumer numbers, problems arise.

The waiters in the cafe have been changing lately. The waiters are staffed with training and high professional skills, which positively affect the reputation of the restaurant. The management of restaurant organizes many training for employees. Professional ethics are always followed by employees.

The strategic capabilities of the «White Noise» restaurant are driven by the resources that are in its possession. First of all, its assets and liabilities (Table 2.2).

*Table 2.2*

**The structure of the balance of the «White Noise» restaurant for 2016-2018**

Indexes	2016 p.		2017 p.		2018 p.		Absolute deviation		Relative deviation,%	
	amount, thousand UAH	share, %	amount, thousand UAH	share, %	amount, thousand UAH	share, %	2017-2016	2018-2017	2017-2016	2018-2017
Non-current assets	2848	60,83	3481	72,25	3436	66,84	633	-45	22,2	-1,3
Current assets	1834	39,17	1337	27,75	1705	33,16	-497	368	-27,1	27,5
<i>Total assets</i>	<i>4682</i>	<i>100</i>	<i>4818</i>	<i>100</i>	<i>5141</i>	<i>100</i>	<i>136</i>	<i>323</i>	<i>2,9</i>	<i>6,7</i>
<i>End of the Table 2.2</i>										
Equity	4168	89,02	4215	87,48	4298	83,60	47	83	1,1	2,0

Long-term commitment and security	107	0,15	109	2,26	253	4,92	2	144	1457,1	132,1
Current commitment and security	507	10,83	494	10,25	590	11,48	-13	96	-2,6	19,4
<i>Total liabilities</i>	<i>4682</i>	<i>100</i>	<i>4818</i>	<i>100</i>	<i>5141</i>	<i>100</i>	<i>136</i>	<i>323</i>	<i>2,9</i>	<i>6,7</i>

According to Table 2.2 it is established that the assets of the enterprise are composed mainly of non-current assets. In 2017, compared to 2016, their size increased by UAH 633 thousand or by 22.2%, and in 2018 decreased by 45 thousand UAH or 1.3%.

The current assets of the company decreased in 2017 compared to 2016 - by 497 thousand UAH or by 27.1%, however, they increased by UAH 368 thousand in 2018 or by 27.5%. Non-current assets accounted for 60.83% in 2016, 72.25% in 2017 and 66.84% in 2018. Non-current assets are mainly composed of fixed assets, which accounted for 50.26% of all assets in 2018.

The current assets of the enterprise are formed mainly from money and their equivalents, the size of which and the share in the structure of assets increased during 2016-2018. As of the end of 2018, their amount was UAH 1407 thousand, which is UAH 323 thousand more than in 2017. The share of money and cash equivalents in the asset structure has grown from 18.41% in 2016 to 27.37% in 2018, which is to be considered as the most liquid element.

The restaurant's liabilities consist of equity, long-term liabilities and current liabilities. During 2016-2018 the amount of equity, this is caused by the profits received by the enterprise, increases.

Long-term liabilities and collateral also increased, while current liabilities and collateral decreased by UAH 13,000 in 2017 and increased by UAH 96,000 in 2018. In the liability structure, equity prevails, accounting for 89.02% in 2016, 87.48% in 2017 and 83.60% in 2018. That is, the share of equity is declining but is very high and indicates the fact that the company is financially sustainable. Instead, the share of long-term liabilities and collaterals has increased - from 0.15% in 2016 to 4.92% in 2018. The share of current liabilities and collateral also

increased - from 10.83% in 2016 to 11, 48% in 2018.

The fixed assets of the restaurant are dominated by fixed assets, the share of which was 96% in 2016, but in 2017 it decreased to 75.58% and in 2018 to 75.20%. We note the annual decrease in the value of fixed assets, which indicates a lag in the rate of their upgrading and modernization over the rate of depreciation.

Next, consider the composition, structure and dynamics of working capital of the «White Noise» restaurant, which are given in table.2.3.

From the table. 2.3 it is determined that the size of current assets in the «White Noise» restaurant decreased in 2017 - by UAH 497 thousand. or 27.1%, and increased in 2018 - by UAH 368 000 or 27.5%.

Analyzing changes in individual items of current assets, we note a decrease in other current accounts receivable at the enterprise in 2017 by UAH 746 000.

*Table 2.3*

**Composition, structure and dynamics of «White Noise» restaurant working capital for 2016-2018**

Indexes	2016		2017		2018		Deviation (±)			
	thous and UAH	%	thousand UAH	%	thousand UAH	%	absolute, thousand UAH		relative,%	
							2017- 2016	2018- 2017	2017- 2016	2018- 2017
1. Stocks:	101	5,51	97	7,26	105	6,16	-4	8	-4,0	8,2
Inventories	83	4,53	80	5,98	91	5,34	-3	11	-3,6	13,8
Final product	18	0,98	17	1,27	14	0,82	-1	-3	-5,6	-17,6
Accounts receivable for products, goods, works, services	19	1,04	25	1,87	0	0,00	6	-25	31,6	-100,0
Accounts receivable:										
on advances issued	32	1,74	73	5,46	76	4,46	41	3	128,1	4,1
with a budget	0	0,00	0	0,00	48	2,82	0	48	0	100
Other current receivables	749	40,84	3	0,22	14	0,82	-746	11	-99,6	366,7
Money and their equivalents	862	47,00	1084	81,08	1407	82,52	222	323	25,8	29,8
Expenses of future periods	18	0,98	18	1,35	30	1,76	0	12	0,0	66,7

*End of the Table 2.3*

Other current assets	53	2,89	37	2,77	25	1,47	-16	-12	-30,2	-32,4
Total:	1834	100,0	1337	100,0	1705	100,0	-497	368	-27,1	27,5



This was due to the fact that the company transferred this debt into the long-term. Also in 2017, the amount of inventories decreased - by 4 000 UAH and other current assets - by 16 000 UAH. Instead, there was an increase in receivables due on advances - by UAH 41 000 or 128.1%, money and their equivalents - by 222 000 UAH or 25.8%, receivables for products, goods, works, services - by 6 000 UAH or 31.6%.

In 2018, there was an increase in money and their equivalents - by UAH 323000 or 29,8%, accounts receivable by the budget - by 48 000 UAH, other current receivables - by 11 0000 UAH, expenses of future periods - by 12 000 UAH and stocks - by 8 000 UAH. Accounts receivable for products, goods, works, services decreased - by UAH 25 000 and other current assets - by 12 000 UAH.

Cash and cash equivalents account for the largest share in the structure of working capital of «White Noise» restaurant, and it is constantly growing. In 2016, it was 47%, in 2017 it increased to 81.08%, and in 2018 - to 82.52%. That is, the current assets of the enterprise are composed mainly of the most liquid assets. In 2016, 40.84% of current assets accounted for other current accounts receivable and 5.51% for inventories. In 2017-2018, the share of other current accounts receivable decreased significantly (to 0.22% and 0.82% respectively). The share of inventories in 2017 increased to 7.26%, and in 2018 decreased to 6.16%. A similar trend was observed for receivables on advances issued, which in 2017 increased from 1.74% to 5.46%, and in 2018 decreased to 4.46%.

Thus, in the «White Noise» restaurant in 2016-2018 there was a decrease in the size of current assets, which was caused by the transfer of other current receivables to long-term. In the structure of current assets, the bulk is in cash, which has a positive impact on the ability of the restaurant establishment to quickly cover its liabilities.

The equity dynamics of the «White Noise» restaurant are given in Table. 2.4.

*Table 2.4*

**Composition, structure and dynamics of equity of «White Noise» restaurant  
for 2016-2018**

Indexes	2016		2017		2018		Deviation ( $\pm$ )			
	thous and UAH	%	thousa nd UAH	%	thousa nd UAH.	%	absolute, thousand UAH		relative, %	
							2017 - 2016	2018 - 2017	2017 - 2016	2018 - 2017
Statutory capital	110	2,64	110	2,61	110	2,56	0	0	0	0,0
Additional capital	1800	43,19	1800	42,70	1800	41,88	0	0	0	0,0
Undivided profit	2258	54,17	2305	54,69	2388	55,56	47	83	2,1	3,6
Total equity	4168	100,0	4215	100,0	4298	100,0	47	83	1,1	2,0

Table 2.4 shows that the equity of the «White Noise» restaurant increased in 2016-2018. In particular, in 2017 compared to 2016, it increased by UAH 47 000, which is 1.1% in relative terms, and in 2018 - by another UAH 83 000 or 2%. This increase was driven by a change in the amount of retained earnings that increased by the same amount. The statutory capital indicator has not changed and during 2016-2018 amounted to UAH 1910000. Retained earnings make up the largest share in the equity structure, in addition it increases: in 2016 - 54.17%; in 2017 - 54.69% and in 2018 - 55.56%. The statutory capital was 45.83%, 45.31% and 44.44% respectively.

Thus, the company has an annual increase in the amount of equity, which is a positive trend, although the growth rate is negligible. During 2016-2018, the share of retained earnings, which is the main component of the equity of the «White Noise» restaurant, increases.

Therefore, the «White Noise» restaurant has strategic development opportunities, which are summarized in the presence of a high share of equity in the liabilities structure. Understanding structure and dynamics of the restaurants we are able to continue analysis and create competitor analysis to highlight other restaurant's features and competitor advantages.

## 2.2 Competitor analysis of restaurant «White Noise»

First of all it is very important to mention that competitor analysis serves many purposes for any successful organization, moreover for the restaurant. By understanding company's competitors, its position yourself to truly understand its market and create value propositions, differentiators, and an economic strategy that goes above and beyond the competition. Gaining a competitive edge requires a detailed analysis of the demographics of the surrounding area and the nature of existing competitors.

In business, the definition of a competitor is any company in the same industry that offers similar products and services and caters to the same market. For restaurants, a competitor is any business that sells food to the same target market. Competitors can be divided into direct and indirect competition.

Direct competitors are restaurants that are very similar to our organization. They sell the same restaurant cuisine, operate under the same service model and appeal to the same target market.

Indirect competitors are harder to spot. They can sell different types of cuisine or operate under a different service model. But these businesses are competition because they cater to the same target market. While indirect competitors might not offer the exact same meals, they are still vying for the same guests.

A competitive analysis is the methodical practice of analyzing restaurant's competition from a variety of different angles in order to understand the marketplace and define its place in it. To complete a competitive analysis, organizations will look to direct and indirect competitors and analyze menu items, marketing tactics, business practices, pricing, and brand positioning. Competitor analysis in marketing and strategic management is an assessment of the strengths and weaknesses of current and potential competitors.

The «White Noise» restaurant direct competitors are «Harms» city cafe, «Kosatka» restaurant and «ZigZag» restaurant. They all are situated at city center,

have similar target customer and same appearance. More detailed analysis could be seen at Table 2.5

Table 2.5

**The «White Noise» restaurant direct competitor analysis**

	Element of analysis	Name of competitor			
		«White Noise»	«Harms»	«Kosatka»	«ZigZag»
1.	Location	St. Konstantynivska 11, Podil	St Volodymirska 45, city center	St BolshayaZhitomir skaya 25	St Reytarska 13
2.	Product	european cuisine, breakfasts, dinner, good coffee and wine cart 7a.m. - 11p.m.	breakfast, pasta, sandwiches, desserts and good coffee 10a.m. - 10p.m.	food and drinks, bar and friday parties 9a.m. - 11p.m.	breakfast, , european cuisine, good wine and cocktails 9a.m. - 11p.m
3.	Price	average cheque 250-300 UAH	average cheque 200-250 UAH	average cheque 250 UAH	average cheque 250 UAH
4.	Service	good, 4/5	good, 4/5	good 4/5	good 4/5
5.	Marketing	Instagram 9179 followers, FB page, advertising at The Village magazine	Inst 4345 followers, events and meetings	Inst 2959 followers, site, DJ-parties	Inst 3872 followers, site, music events
6.	Awareness	middle, 4/5	middle, 3/5	middle, 3/5	middle, 4/5
7.	Unique features	early breakfast, specialty coffee, nice location, fancy design	all day breakfast, books selling cafe	good cocktails, music evenings	pet friendly, cozy atmosphere

Looking through main categories we can make conclusions that all these places are situated at city center and party locations, advantages of «White Noise» restaurant are early breakfast, specialty coffee, good wine and nice interior, strong sides of competitiveness are good cocktails and regular music events on weekends. Social network awareness of «White Noise» restaurant is higher than others, price policy is a little bit higher but at the same level, service  $\frac{4}{5}$  at all restaurants.

If we'll look at perceptual map of direct competitors they will be at similar

place. The perceptual mapping of direct competitors are «Harms» city cafe, «Kosatka» restaurant and «ZigZag» restaurant is shown at Figure 2.2



**Figure 2.2. The perceptual mapping of direct competitors of the «White Noise» restaurant, Kyiv**

Indirect competitors of the «White Noise» restaurant are situated at the same district but proposed different types of services and cuisine. There are around 50 cafes, restaurants and bars near but we will analyse the nearest and most popular places: «HumHum» hummus bar, «Puzatahata» ukrainian cuisine fastfood, «Pashtet» family café. More detailed analysis could be seen at Table 2.6

Looking through same categories we can make conclusions that all these places are situated at one location very close to each other, advantages of «White Noise» restaurant are early breakfast, specialty coffee, good wine and nice interior, strong sides of competitiveness are special food, smaller prices, family oriented. Social network awareness of «White Noise» restaurant is higher than others, price policy is a little bit higher, service better than at others restaurants.

Table 2.6

**The «White Noise» restaurant indirect competitor analysis**

	Element of analysis	Name of competitor			
		«White Noise»	«HumHum»	«Puzatahata»	«Pashtet»
1.	Location	St. Konstantynivska 11, Podil	St Mezhygorskaya 13, Podil	St. Kontraktova square 2	St Konstantynivska 1, Podil
2.	Product	european cuisine, breakfasts, dinner, good coffee and wine cart 7a.m. - 11p.m.	breakfast, hummus coffee 10a.m. - 10p.m.	ukrainian cuisine fastfood 9a.m. - 11p.m.	breakfast, , european cuisine, 9a.m. - 11p.m
3.	Price	average cheque 250-300 UAH	average cheque 150 UAH	average cheque 100 UAH	average cheque 200 UAH
4.	Service	good, 4/5	good, 4/5	middle 3/5	good 4/5
5.	Marketing	Instagram 9179 followers, FB page, advertising at The Village magazine	Inst 12900 followers, popular blog	Famous chain	Inst 1872 followers, family events
6.	Awareness	middle, 4/5	middle, 4/5	high, 5/5	middle, 4/5
7.	Unique features	early breakfast, specialty coffee, nice location, fancy design	all day breakfast, hummus, vegan food	Cheap home fast food	cozy atmosphere

If we'll look at perceptual map of indirect competitors they will be at different places. The perceptual mapping of indirect competitors «HumHum» hummus bar, «Puzatahata» ukrainian cuisine fastfood, «Pashtet» family café is shown at Figure 2.3

Analyzing this perceptual map of indirect competitors we can see that PusataHata Ukrainian cuisine fast food is situated at the lowest square of price and quality mapping.

So as we can see from the figure «White Noise» restaurant takes place at the top of this mapping what is mean that from this competitor analysis all other

restaurants have less number of competitor advantages.

This could be seen at Figure 2.3.



**Figure 2.3. The perceptual mapping of indirect competitors of the «White Noise» restaurant, Kyiv**

So as a result we can see that «White Noise» restaurant has a plenty of advantages beyond its competitors and is situated at the top of perceptual map.

Competitor analysis is an essential component of corporate strategy.

It is argued that most firms do not conduct this type of analysis systematically enough. Instead, many enterprises operate on what is called "informal impressions, conjectures, and intuition gained through the tidbits of information about competitors every manager continually receives."

As a result, traditional environmental scanning places many firms at risk of dangerous competitive blind spots due to a lack of robust competitor analysis.

Based on the previous researches, we draw up a threat matrix for «White Noise» restaurant (Table 2.7).

*Table 2.7*

### **Competitive forces threat analysis**

The likelihood of a threat	Consequences of threats	Destructive	Heavy	Light
<b>High</b>		-	Decrease of real incomes of the population	Changing legal requirements for customer service in the restaurant business
<b>Average</b>		Increase in the cost of food due to the increase in the minimum wage and the rise in commodity prices (products)	Activation by competitors of the institution	Negative changes in the number of potential customers, including as a result of migration
<b>Low</b>		Saturation of the restaurant services market in the region	-	-

The strategic rationale of competitor profiling is simple. Superior knowledge of rivals offers a legitimate source of competitive advantage.

The raw material of competitive advantage consists of offering superior customer value in the firm's chosen market.

The definitive characteristic of customer value is the adjective, superior. Customer value is defined relative to rival offerings making competitor knowledge an intrinsic component of corporate strategy.

The developing of the restaurant's strategy should aim to consolidate its existing competitive advantages as well.

Let us also compile a matrix of possibilities which will show us probability of using the opportunities and impact of opportunities such as increasing customer loyalty by highlighting specific features of the establishment and rapid development of equipment modernization. It is very important to describe all possible opportunities which influence the market of restaurant business (Table 2.8).

*Table 2.8*

### **Analyze opportunities that are emerging in the market**



Probability of using the opportunities	Impact of opportunities	Strong	Average	Light
High		Expand target audience by creating an updated menu	Increasing customer loyalty by highlighting specific features of the establishment	Increasing consumer awareness through social media advertising
Middle		The emergence of new methods of cooking desserts, variations with new flavors	Option to target more attractive target segments	Rapid development of equipment modernization
Low		-	-	-

To sum up results of competitive analysis and possible opportunities of further development of restaurant it could be said that improvement of organizational goals is really necessary. The implementation of the restaurant's economic strategy should aim to consolidate its existing competitive advantages and to generate new benefits in the future.

### 2.3. The level of economic development strategy realization

Factors of the external and internal environment constantly influence the enterprises of the restaurant industry and their activities. It is possible to state a number of factors and tendencies that directly influence and will further influence the implementation of the «White Noise» restaurant economic development strategy. We use SWOT analysis to identify their strengths and weaknesses, as well as opportunities and threats in order to highlight and understand the level of economic development strategy realization.

The results of the SWOT-analysis of the «White Noise» restaurant are presented in Table. 2.9. As can be seen from Table 2.9, the strengths of the «White Noise» restaurant significantly outweigh their weakness which creates the preconditions for the implementation of a growth-oriented economic strategy.

Table 2.9

### Strengths and Weaknesses of the «White Noise» restaurant

	«S» - Strength	«W» - Weakness
International environment	<ul style="list-style-type: none"> <li>● Good location of the institution (in the central part of the city).</li> <li>● Steady demand for food services (annual growth of net income in 2016-2018).</li> <li>● Availability of funds for the implementation of investment and innovation projects.</li> <li>● Profitability of activity (profits in all recent years).</li> <li>● Qualified chef staff available.</li> <li>● Image of a modern, cozy and fancy place to spend a good time (4.7 points out of 5 on <a href="https://objor.com">https://objor.com</a>).</li> <li>● Sustainable financial condition of the enterprise (high liquidity and autonomy ratios, growth of business activity indicators during 2016-2018).</li> </ul>	<ul style="list-style-type: none"> <li>● Poor performance of the current economic strategy (low profitability).</li> <li>● High turnover of staff in the restaurant (waiters).</li> <li>● Low capital adequacy ratio (capital adequacy ratio in 2018 - 31%).</li> <li>● Absence of marketing department</li> <li>● Lack of competitive advantages.</li> <li>● Lack of clear idea of economic strategic directions of development.</li> </ul>

Next, we examine the external environment of the restaurant business. Four groups of environmental factors most influence the implementation of the economic strategy of the «White Noise» restaurant: political and legal; economic; demographic; technological

Table 2.10

#### The influence of political and legal factors on the implementation of the economic strategy of the «White Noise» restaurant

Environmental factors	Importance for the industry	Impact on the enterprise	Direction of influence	The degree of importance to the enterprise
Stability of legislation	4	4	–	–8
The level of state regulation of the industry	5	3	–	–8
State policy in training for the industry	6	4	+	+10
The degree of control of legal norms	7	4	+	+11

When considering the factors of the macro environment, we use the evaluative statements of the expert, as the director of the enterprise. In general, the political situation in Ukraine has a mixed effect on the economic strategy development of the «White Noise» restaurant (Table 2.10).

Instead, economic factors predominantly have a negative impact on the

strategy implementation of the «White Noise» restaurant (Table 2.11).

*Table 2.11*

**Impact of economic factors on the implementation of White Noise restaurant economic strategy**

Environmental factors	Importance for the industry	Impact on the enterprise	Direction of influence	The degree of importance to the enterprise
GDP growth	2	2	+	+4
Changing the purchasing power of the population	3	3	–	–6
Increasing unemployment	2	2	–	–4
Development of bank lending	3	3	+	6

Demographic factors influence the implementation of the economic strategy of the restaurant business enterprise quite globally and significantly, because they determine the portrait of the consumer of his goods and services, employees, partners, competitors, etc.

The influence of demographic factors on the implementation of the economic strategy of the «White Noise» restaurant is defined in Table 2.12.

*Table 2.12*

**Influence of demographic factors on the implementation of the economic strategy «White Noise» restaurant**

Environmental factors	Importance for the industry	Impact on the enterprise	Direction of influence	The degree of importance to the enterprise
Number of potential consumer	3	3	–	–6
Population migration growth	2	3	–	–5
Qualifying characteristics of the workforce	2	2	–	–4
Urban population growth	2	3	+	+5

According to this table, a positive influence on the implementation of the economic strategy of the «White Noise» restaurant is increasing the share of urban population. Instead, there is a negative impact on potential consumers, migration processes and a lack of qualifying professional skills in the industry.

Technology influences society through its products and processes.

Technology influences the quality of life and the ways people act and interact. Technological changes are often accompanied by social, political, and economic changes that can be beneficial or detrimental to individuals and to society.

The influence of technological factors on the implementation of the strategy of activity of the «White Noise» restaurant include such factors as development of new technologies of cooking and emergence of new equipment for processing and preparation of food in food establishments.

The influence of technological factors is manifested in the modernization and increase of production capacities by the enterprises of the branch (Table 2.13):

*Table 2.13*

**The influence of technological factors on the implementation of the strategy of activity of the «White Noise» restaurant**

Environmental factors	Importance for the industry	Impact on the enterprise	Direction of influence	The degree of importance to the enterprise
Development of new technologies of cooking	3	3	+	+6
Emergence of new equipment for processing and preparation of food in food establishments	3	3	+	+6

Apparently, technological factors have a positive effect on the implementation of the economic strategy of the «White Noise» restaurant, which is expressed in the opportunities of investment and innovation development.

General meaning of results of these factors should be summarized for its future implementation and use in order to prevent financial problems and developing economic strategy of restaurant.

If a business wants to be successful in the marketplace, it is necessary for them to fully understand what factors exert impact on the development of their company.

Once they know about both positive and negative effects within and outside the company, they can produce suitable strategies to handle any predicted situation. Therefore, examining internal and external factors is considered the most important task for an enterprise before launch any strategic marketing plan.

Once they know about both positive and negative effects within and outside the company, they can produce suitable strategies to handle any predicted and unpredicted situation.

The factors of all these groups can be summarized in a single table which includes political and legal, economic, demographic and technological environmental factors (Table 2.14).

*Table 2.14*

**The most important environmental factors that influence the implementation of the economic strategy «White Noise» restaurant**

Environmental factors	Positive impact	The degree of importance	Negative impact	The degree of importance
Political and legal	State policy in training for the industry	+10	Stability of legislation	-8
	The degree of control of legal norms	+11	The level of state regulation of the industry	-8
Economic	GDP growth	+4	Changing the purchasing power of the population	-6
	Development of bank lending	+6	Increasing unemployment	-4
Demographic	Urban population growth	+5	Number of potential consumers	-6
			Population migration growth	-5
			Qualifying characteristics of the workforce	-4
Technological	Development of new technologies of cooking	+6		
	Emergence of new equipment for processing and preparation of products in establishments	+6		

As can be seen from the analysis, environmental factors mainly negatively influence the implementation of the economic strategy of the «White Noise» restaurant.

This is due to the difficult economic and political situation in the country, the shortage of skilled labor, which is leaving for Central and Western Europe in

search of higher earnings.

On the basis of the macro environmental analysis, we investigate the external threats and opportunities of the «White Noise» restaurant (Table 2.15).

Table 2.15

**External threats and opportunities of «White Noise» restaurant**

	«O» - Opportunities	«T» - Threats
International Environment	<ul style="list-style-type: none"> <li>● Expand your target audience by creating an updated menu.</li> <li>● Increasing customer loyalty by highlighting specific features of the establishment.</li> <li>● Increasing consumer awareness through social media advertising.</li> <li>● The emergence of new methods of cooking desserts, variations with new flavors.</li> <li>● Option to target more attractive target segments.</li> <li>● Rapid development of equipment modernization.</li> </ul>	<ul style="list-style-type: none"> <li>● Decrease of real incomes of the population.</li> <li>● Changing legal requirements for customer service in the restaurant business.</li> <li>● Increase in the cost of food due to the increase in the minimum wage and the rise in prices for raw materials (products).</li> <li>● Activation by competitors of the institution.</li> <li>● Negative changes in the number of potential customers, including as a result of migration.</li> <li>● Saturation of the restaurant services market in the region.</li> </ul>

Next matrix allows us to draw strategic conclusions from the analysis, to accurately structure the problems and tasks facing the «White Noise» restaurant and implement new strategies.

As well as strategic planning technique used to help a person or organization identify strengths, weaknesses, opportunities, and threats related to business competition or project planning.

Investigation of possible risks and perspectives lead to creating of right economic strategy.

And on the basis of the previous analysis, we form a matrix of SWOT analysis (table.2.16).

Table 2.16

**SWOT analysis of the restaurant «White Noise»**

Opportunities	Threats
---------------	---------

	<ol style="list-style-type: none"> <li>1. Expand your target audience by creating an updated menu</li> <li>2. Increasing customer loyalty by highlighting specific features of the establishment</li> <li>3. Increasing consumer awareness through social media advertising</li> </ol>	<ol style="list-style-type: none"> <li>1. Decrease of real incomes of the population</li> <li>2. Changing legal requirements for customer service of the restaurant business</li> <li>3. Increase in the cost of food due to the increase in the minimum wage and the rise in prices for raw materials (products)</li> </ol>
<p>Strengths</p> <ol style="list-style-type: none"> <li>1. Good location (in the central part of the city)</li> <li>2. Sustainable demand for food services (annual growth of net income in 2016-2018)</li> <li>3. Availability of funds for the implementation of investment and innovation projects</li> </ol>	<p>Since the enterprise is profitable and interested in the constant updating of its own equipment, efforts should be intensified to organize the production of new dishes, introduce new forms of processing products, use energy-efficient technologies, which will minimize costs.</p>	<p>The company can reduce losses of markets and their capacities by more effective advertising promotion on social networks, creating competitive advantages that are difficult to replicate to competitors, using a good image of the institution in its promotion as a place for different holidays.</p>
<p>Weak sides</p> <ol style="list-style-type: none"> <li>1. Low performance of the current strategy (low profitability)</li> <li>2. High turnover of staff in the hall (waiters)</li> <li>3. Low suitability of fixed assets</li> </ol>	<p>As there is an opportunity to expand the target audience, the enterprise can produce craft products in order to generate additional competitive advantages. They should also update their fixed assets and arrange a marketing service.</p>	<p>The enterprise should reduce the risk of loss of sales markets by deepening the economic strategies and intensifying efforts to investigate changes in consumer preferences.</p>

As a result of the SWOT analysis, we can say that in order to improve the economic strategy of the «White Noise» restaurant, it is necessary to pay attention to changing methods of implementation economic strategies in order to generate such competitive advantages of the institution, which will be difficult to copy quickly to competitors.

This necessitates the formation of a strategy of commodity market (a set of solutions for the nomenclature, quality and volume of output, methods of the company's behavior on the market), financial and investment (a set of decisions on how to attract, spend or accumulate financial resources) and management strategy (decisions affecting the nature of the company's management in the implementation of a specific strategy) of the restaurant business.

### **PART 3**

## **DIRECTIONS OF IMPROVEMENT OF ECONOMIC STRATEGY IN THE RESTAURANT «WHITE NOISE», KYIV**

### **3.1. Propositions for improvement of economic strategy in restaurant**



Given the «White Noise» restaurant economic indicators could be more effective in next years, which are reflected in the profitability, it is advisable to form strategic directions for the restaurant's economic strategy. The implementation of the restaurant's economic strategy should aim to consolidate its existing competitive advantages and to generate new benefits in the future.

The restaurant's economic strategy must be flexible (dependent on the goals already set for it) and cyclical (constantly adjusted according to situations).

Improvement in the formation of economic strategy at the «White Noise» restaurant should begin with the establishment of long-term economic goals. It should be noted that they provide for fixing the achieved results, and for this reason they should:

- 1) be specific (a clear goal is clear at all levels of planning);
- 2) measurable;
- 3) achievable (whether the enterprise will be able to achieve its goal in a certain time, whether there are means and tools to achieve it);
- 4) determined in time;
- 5) relate to other goals.

A promising direction for the strategic development of the White noise restaurant is the intensification of realizations additional events, development of proposed products and services and involvement of mobile application.

. Choosing the right strategy will ensure its full implementation, which will have a positive effect on the further development and retention of the leading position of the institution in the market.

The main purpose of the «White Noise» restaurant economic strategy is to use resources efficiently to achieve their goals over a period of time. The system of goals of the economic strategy for the 2020 - 2025 years is given in Table 3.1.

*Table 3.1*

**Goals of the «White Noise» restaurant economic strategy in the 2020 - 2025**

Strategy implementation period	Goal	Type of strategy interaction	Expectation of goal realization

0-6 months	Raising consumer awareness of the restaurant and its products	Attracting attention	Increase potential target audience impact
7-12 months	Attracting new clients to the restaurant	Increased revenue	Increase the number of first-time consumers
13-24 months	Increasing consumer loyalty	Encouragement to re-visit the restaurant	Improve your relationship with the institution through a loyalty program
25-36 months	Improving marketing and economic metrics	Formation of positive attitude	Improving economic strategy performance
37-60 months	Integration of the previous goals in order to strengthen the competitive advantages of the enterprise	Support satisfaction with attending institution	Increase in the market value of the enterprise

From Table 3.1 we can see that the goals of the economic strategy of the «White Noise» restaurant meet the criteria specified above: they are specific, measurable and defined in time. In order to determine the capabilities of the company in terms of the size and intensity of the economic strategy campaign, it is advisable to conduct a strategic and competitive analysis of the external and internal environment that we have made before.

Therefore, considering all the factors influencing the activity of the company, we can conclude that the «White Noise» restaurant has the proper resources to implement the goals set in Table 3.1. In particular, there is a high level of qualification and staff training and excellent interior, which is a prerequisite for turning potential restaurant customers into loyal customers in the long run.

As we already have chosen three main directions of economy strategy implementation:

- strategy of commodity market (a set of solutions for the nomenclature, quality and volume of output, methods of the company's behavior on the market),
- financial and investment (a set of decisions on how to attract, spend or accumulate financial resources);
- management strategy (decisions affecting the nature of the company's management in the implementation of a specific strategy) there should be underlined set of methods for development be these actions.

Therefore, from each strategy we highlight most effective ways to achieve our goals. For strategy of commodity market, we should improve product which customer is looking for. There are many issues could be improved:

- Menu: season propositions, new desserts, renovate menu each 3 months;
- Set new interesting cocktail menu (Table 3.2);

*Table 3.2*

**Season menu propositions for the «White Noise» restaurant**

	Time of the year	Food and dessert propositions	Cocktails and beverages propositions
1	Winter	<ul style="list-style-type: none"> <li>- Beetroot soup</li> <li>- Hot meat spot</li> <li>- Orange cake</li> <li>- Grapefruit pancakes</li> </ul>	<ul style="list-style-type: none"> <li>- White and red glint wine</li> <li>- Orange grog</li> <li>- Cacao marshmallow</li> </ul>
2	Spring	<ul style="list-style-type: none"> <li>- Minestrone soup</li> <li>- Chicken caprese</li> <li>- Crepe suzette</li> <li>- Passion fruit tart</li> </ul>	<ul style="list-style-type: none"> <li>- Fruit smoothie</li> <li>- Espresso-tonic</li> <li>- Gin-tonic</li> <li>- Cucumber lemonade</li> </ul>
3	Summer	<ul style="list-style-type: none"> <li>- Veggie bouillon</li> <li>- Fresh salad</li> <li>- Watermelon ice-cream</li> <li>- Berry cake</li> </ul>	<ul style="list-style-type: none"> <li>- Milk shakes</li> <li>- Lemonades</li> <li>- Aperol spritz</li> <li>- Hugo</li> </ul>
4	Autumn	<ul style="list-style-type: none"> <li>- Pumpkin soup</li> <li>- Ratatouille</li> <li>- Pumpkin cake</li> <li>- Carrot pie</li> </ul>	<ul style="list-style-type: none"> <li>- Tropical fruit tea</li> <li>- Spicy ginger tea</li> <li>- Lingonberry tea</li> <li>- Sea buckthorn tea</li> </ul>

- Create Unique Selling Proposition or USP is the one feature or the perceived benefit of a product and services which makes it unique from the rest of the competing brands in the market.

It is that very reason which motivates a buyer to purchase that product even though it might be costlier than other products.

- Launching music events: we propose to organize every week music evenings Wednesday vinyl evening and Friday jazz party which should attract potential restaurant customers;
- Adopt a Loyalty Program: members of a restaurant loyalty program spend 19% more on average when redeeming their reward, and their frequency of visiting your restaurant increases 75% between their first and tenth reward redemption.

- Service: be more attentive to guest, train staff, improve their skills, provide code of ethics (Figure 3.1)



**Figure 3.1 Code of ethics for the «White Noise» restaurant staff**

- Offer Online Ordering via companies Glovo and UberEats and creating own mobile application which customers could download from AppStore and Play Market for free. Using it guests will have an opportunity to make an order before their coming to save their time or with delivery;

According to financial and investment:

- invest into quick payback project;
- pay attention to education investment into managerial system and staff trainings;
- develop advertising campaign and payment for advertisement on social network platforms.

Due to management strategy:

- create plan for implementation of economic strategy different coordination;
- develop managerial system and control of tasks performance;
- improve reports and crisis control.

### 3.2. Improvement of commercial application of restaurant «White Noise»

In order to improve commercial application of restaurant «White Noise» we have to describe and prove effectiveness of proposed economic strategies, the most important of which are from the strategy of commodity market.

We show results of improvement propositions of commercial application of restaurant «White Noise» at the Table 3.3

Table 3.3

#### Results of improvement propositions of commercial application of restaurant «White Noise»

	Type of improvement	Costs per month, UAH	Customer involvement	Revenue per customer, UAH	Profit per month, UAH	Revenue per month, UAH
1.	Instagram advertisement	3 000	600	200	120 000	117 000
2.	VinylWednesday party	20 000	160	350	56 000	36 000
3.	Jazz Friday evening	28 000	160	450	72 000	44 000
4.	Lunch proposition	-	150	200	30 000	30 000
5.	Food delivery	-	300	250	75 000	75 000
6.	Cocktail menu	2 000	150	150	45 000	43 000
7.	Total	53 000	1 520		398 000	345 000

#### 1. Instagram advertisement

First proposition is to improve advertising strategy and add the most efficient and innovative method - Instagram advertisement - as average age of «White Noise» target customer is 20 - 30 years old.

Price for average post on Instagram costs 125 UAH per day, we propose to make 2 promotion posts with duration 3 days every week/

Costs per month =  $125 \times 3 \times 2 \times 4 = 3\,000$  UAH

Estimated reach of target customers (people who will see this post) is 7 500 people from one Instagram post. Monthly advertising will bring us  $7\,500 \times 8 = 60$

000 people reached.

Costs per one reached customer =  $3\,000 / 60\,000 = 0,05$  UAH

Predictable involvement of customers is 10%, so Instagram advertising will bring 600 new customers a month.

Costs per one new visit =  $3\,000 / 600 = 50$  UAH

Considering that average cheque per guest in «White Noise» is 250, revenue per one guest from Instagram promotion will be 200 UAH.

Revenue from Instagram promotion =  $600 \times 200 = 120\,000$  UAH

Below we calculate percentage return on investment

ROI =  $((\text{revenue} - \text{costs}) / \text{costs}) \times 100\%$

ROI =  $((120\,000 - 3\,000) / 3\,000) \times 100\% = 3\,900\%$

## 2. Organization of events

Next proposition is organization of music events such as Wednesday vinyl evening and Friday jazz party.

Costs per one Wednesday vinyl evening will be 5 000 UAH for invited DJ and equipment. Costs per one Friday jazz party will be 7 000 UAH for invited musicians. Estimated customers' involvement will be 40 guests for one event, average cheque per one guest - 350 and 450 UAH.

Monthly profit from Wednesday vinyl evening =  $40 \times 350 \times 4 = 56\,000$  UAH

Monthly costs from Wednesday vinyl evening =  $5\,000 \times 4 = 20\,000$  UAH

Monthly revenue from Wednesday vinyl evening =  $56\,000 - 20\,000 = 36\,000$  UAH

ROI =  $((36\,000 - 20\,000) / 20\,000) \times 100\% = 80\%$

Costs per one Friday jazz party will be 7 000 UAH for invited musicians. Estimated customers' involvement will be 40 guests for one event, average cheque per one guest - 450 UAH.

Monthly profit from Friday jazz party =  $40 \times 450 \times 4 = 72\,000$  UAH

Monthly costs from Friday jazz party =  $7\,000 \times 4 = 28\,000$  UAH

Monthly revenue from Friday jazz party =  $72\,000 - 28\,000 = 44\,000$  UAH

ROI =  $((44\,000 - 28\,000) / 28\,000) \times 100\% = 57\%$

## 3. Lunch menu and food delivery

Next proposition is involvement of lunch menu at “dead hours” and cooperation with on-line food delivery such as Glovo and UberEats.

Costs for implementing of these services are zero but they are going to increase number of orders and add at least 10 more average cheques per day from Glovo and UberEats and at least 5 more guest for lunch menu.

Revenue from on-line food delivery =  $10 \times 30 \times 250 = 75\,000$  UAH

Revenue from lunch menu =  $5 \times 30 \times 200 = 30\,000$  UAH

4. Implementing of new cocktail menu.

Diversification and implementing of new products and services will lead to increasing of average cheque, customer loyalty and brand awareness.

As we proposed to provide organization of evening events we should develop alcohol propositions of wine cart and add new cocktail menu.

Costs for creating cocktail menu by high qualified bartender - 6 000 UAH.

Guests involvement will be at least 10 people a day with average cheque increasing by 150 UAH.

Monthly profit from new cocktail menu =  $10 \times 30 \times 150 = 45\,000$  UAH

Cocktail menu will be renovating each 3 months, amortization =  $6\,000/3 = 2\,000$  per month.

Monthly revenue from new cocktail menu =  $45\,000 - 2\,000 = 43\,000$  UAH per month.

From this calculations we can make a conclusion that by improvement propositions of commercial application of restaurant «White Noise» company could reach additional month revenue 345 000 UAH that makes up 4 140 000 UAH per year.

## **CONCLUSIONS AND PROPOSALS**

Investigating the nature and role of economic strategy and factors influencing its formation, it is established that economic strategy should be understood as a set of measures aimed at the long-term achievement of the economic goals of the company. At the present stage of economic development there is a shift of priorities of economic developments towards strategy decisions. There are three main types of

economic strategies - strategy of commodity market (a set of solutions for the nomenclature, quality and volume of output, methods of the company's behavior on the market), financial and investment (a set of decisions on how to attract, spend or accumulate financial resources) and management strategy (decisions affecting the nature of the company's management in the implementation of a specific strategy).

Generalizing the methodological approaches to the formation of economic strategy in the restaurant industry, it is determined that today there is a need to deepen the development of the methodology of economic strategy for use in the restaurant industry. It is proposed to formulate the economic strategy in the following sequence: defining the goals of the economic strategy, strategic analysis of the external and internal environment, decisions on the aspects of economic approaches, evaluation of the effectiveness of economic strategy. The formulation of an economic strategy should be carried out in a certain sequence on the basis of principles of coordination, horizontal integration, consistency, flexibility, feasibility, continuity, objectivity. In the process of forming a restaurant business economic strategy, it is advisable to use a model of choice of economic means, depending on the life cycle of the company and the level of communication of the restaurant.

An analysis of the restaurant's financial results showed that the restaurant industry increased its own business activity every year. Net income growth in 2018 compared to 2016 was 58.4%. A positive trend is also the increase in labor productivity and performance indicators of fixed assets, while the negative trend is a decrease in profitability in 2018 compared to 2016. The restaurant uses various means for its own economic activity, increasing the funds for its carrying out.

A study of the process of planning and implementing an economic campaign and its impact on the effectiveness of White Noise restaurant has revealed that there are three main stages of planning and implementation of an economic campaign in the restaurant "White noise": the preparatory stage, which includes the planning, development and preparation for the providing of economic actions, the culminating stage, which is based on the organization of economic activities and the final stage, which includes control and adjustments.

Improved economic strategy formation at White Noise Restaurant involves



setting economic strategy goals, conducting internal and external economic analysis, identifying target audience and economic assets. It is established that the target audience of the restaurant is people aged 20 to 45 who are interested in modern, stylish establishments, innovators. It is proposed to create a restaurant UTP and decrease production costs by 30% compared to the reporting period. The increase in the advertising budget of the White Noise restaurant will be mainly aimed at intensifying advertising on the Internet, social networks and outdoor advertising.

The developed economic campaign will be local in scope, targeted at consumers, multi-channel and medium-term in duration. As a result of the implementation of measures for the development of the economic strategy of the restaurant "White noise" in the project year, the revenue of the restaurant business will increase by 4 140 thousand UAH. The proposed measures may be recommended to White Noise management prior to implementation.

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# APPENDICES