Kyiv National University of Trade and Economics

The Department of World Economy

FINAL QUALIFYING PAPER (PROJECT)

on the topic:

«SALES AND MARKETING ACTIVITY OF REPRESENTATIVE OFFICES OF INTERNATIONAL COMPANIES IN UKRAINE»

(based on the data of JSC «Renault Ukraine», Kyiv)

Student of the 2nd year, group 2am, speciality 051 «Economy», specialization «International economics»	___________	Bondarenko Kostiantyn
Scientific adviser Candidate of Sciences (Economics) Associate Professor	___________	Sai D.V.
Manager of the educational program Candidate of Sciences (Economics) Associate Professor	___________	Kravets K.P.

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CONTENT

INTRODUCTION

The relevance of the study in the domain of light vehicles relates to the important changes and new trends in the vehicle industry all over the world that directly influence on Ukrainian light vehicle market and connected industries. In addition to the fast world changes in the industry, companies that act on the Ukrainian market challenge internal market crisis after political events of 2013-2014 years and related aftermath such as decrease in domestic automobile manufacturing facilities, static buyer's income and, accordingly, low purchasing power of population and significant growth of grey vehicle market.

On the one hand, to be competitive the representative offices of the international enterprises should know and satisfy the needs of the market and should respect new changing trends to run their businesses to the threats and opportunities of the business environment mentioned above.

On the other hand, these representative offices must secure effective operation activity, defend their market share and provide long-term profitability of the company. In order to work successfully on the Ukrainian market, companies should seek new ways to cope with external and internal factors that affect their business activity, using their internal capacities and capabilities including the marketing ones.

A number of abovementioned key issues related to strategic marketing analysis that companies use to evaluate environmental and internal factors that influence sales and marketing activity in a country, region or global market. In order to understand the level of investigation of the chosen study, we analyzed studies of different scientists. Axel Schmidt and Roland Schwientek analyze marketing analysis as a main part of a successful operation cycle in the work "Operation Excellence" [1]. Robert F. Hartley in "Marketing, Mistakes and Successes" and "Management, Mistakes and Successes" [2, 3], Illiashenko S. and Strielkowski W. in "Managing economic growth: marketing, management and innovations" and Illiashenko S. in "Market leading management of innovative development" [4, 5]. Mazaraki A., Melnyk T. [6], Sai D. [7] and other scholars of Kyiv National University of Trade and Economics describe their complex approaches of market evaluation and aspects of strategic marketing analysis.

In addition to the analysis of scientific works, we examined the key issues that were covered during the conferences CBT Automotive Conference 2017 [8] in Atlanta and Volkswagen Press Conference Digital Transformation in 2018 [9] in open sources where a view of management on automobile industry was presented.

Furthermore, there are several specialized reviews within the studied industry that analyze the market and cover not only statistical data but also evaluate different economic areas connected with the automobile industry that use a wide range of methods of evaluation and presentation.

In accordance with analyzed information, there is a necessity to analyze the environmental impact of global trends on the automotive industry of Ukrainian market players and related market strategies of representative offices of international companies that cope with global trend challenges, Ukrainian environmental factors and internal factors of business activity.

The purpose of the final qualifying paper is to analyze the sales and marketing activity of representative offices of foreign companies in Ukraine on the materials of JSC Renault Ukraine. For this reason, the next tasks were determined:

1. To study the world market trends and factors that influence on Ukrainian light vehicle market.
2. To analyze the business activity of JSC Renault Ukraine as a part of Ukrainian light vehicle market
3. To determine the most significant factors, influencing the marketing activity of the enterprise importing light vehicle based on JSC Renault Ukraine

4. To analyze sales and marketing activity of JSC Renault Ukraine as a part of internal environmental analysis.
5. To suggest measures that can increase sales and improve marketing activity of JSC Renault Ukraine and
6. To make a forecast of sales and marketing indicators after implementing proposed measures.

The object of the research is a process of sales and marketing activity of the representative office of the multinational company on the Ukrainian light vehicle market.

The subject of the research is a theoretical and practical aspects of sales and marketing activity of JSC "Renault Ukraine" and the practical basis of their improvement within the framework of Ukrainian business environment.

In this work different empiric and theoretical methods of study are used. Immaterial attributes, relationships and connections were abstracted. An equation for the next definitions: light vehicle, car and automobile was used. A complex data was analyzed and a synthesis of a different kinds of information was made. For the purposes of relationships study, deduction and induction was used.

Research and practice originality of the study are reflected to the following:

1. Processing of the known data and receiving new conclusions:
2. Practical suggestions that were described in Part 3 might improve the sales and marketing activity of JSC Renault Ukraine.

The approbation of the study is made in the article "Specificity of strategic marketing analysis for enterprises, importing light vehicles" published in the International Economics Collection of scientific articles of students Part 2 released by Kyiv National University of Trade and Economics in 2019.

PART 1. RESEARCH ANALYSIS OF CURRENT PERFORMANCE JSC RENAULT UKRAINE

1.1. Analysis of the world market of light vehicles

To begin the analysis of the world market of light vehicles the market share analysis should be analyzed. In order to understand the world market, shares of light vehicle manufacturers in the world were analyzed using information of the International Organization of Motor Vehicle Manufacturers (OICA) that was created at 1919. The organization provides forum space, manufacturers coordination, statistical information, etc. The world market share based on statistical data of OICA is presented in Figure 1.1.

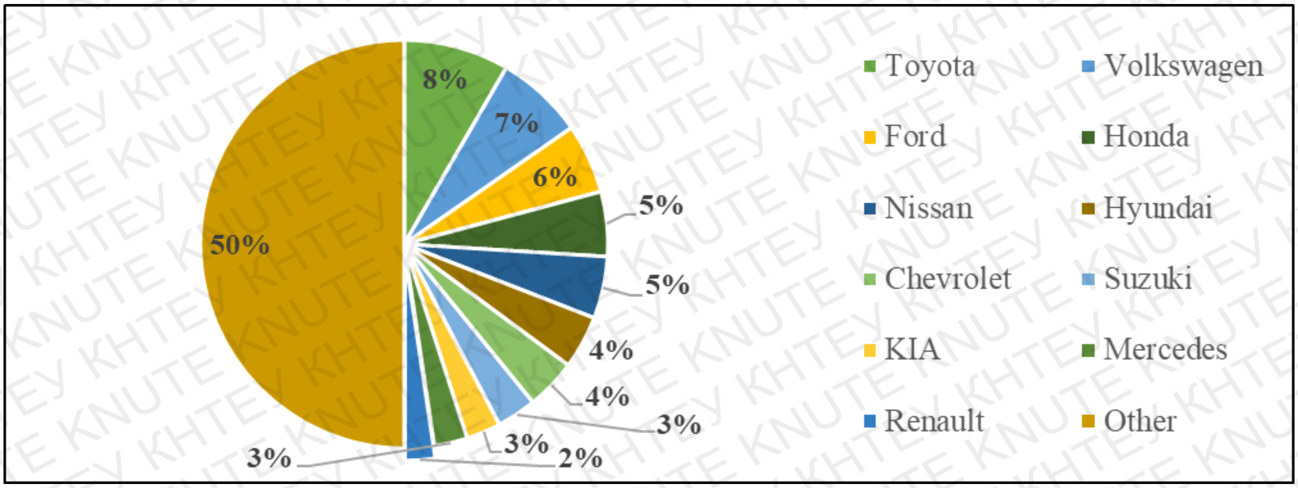


Figure 1.1. World market share of car manufacturers by brands in 2018, %. Elaborated by the author based on [11,46].

As presented in Figure 1.1 Toyota is an absolute leader of the market that covers 8% of world supply. However, some brands are part of alliances, concerns, etc. and in this case market shares of brands can be united.

In addition, world market growth was analyzed. As OICA reported, the world market of light vehicles showed growth from 68.1 mln. units in 2014 to 71.1 mln. units in 2018 [11].

Another domain that was analyzed is a geographical structure of car manufacturing for 2014-2018 years that is presented in Figure 1.2.

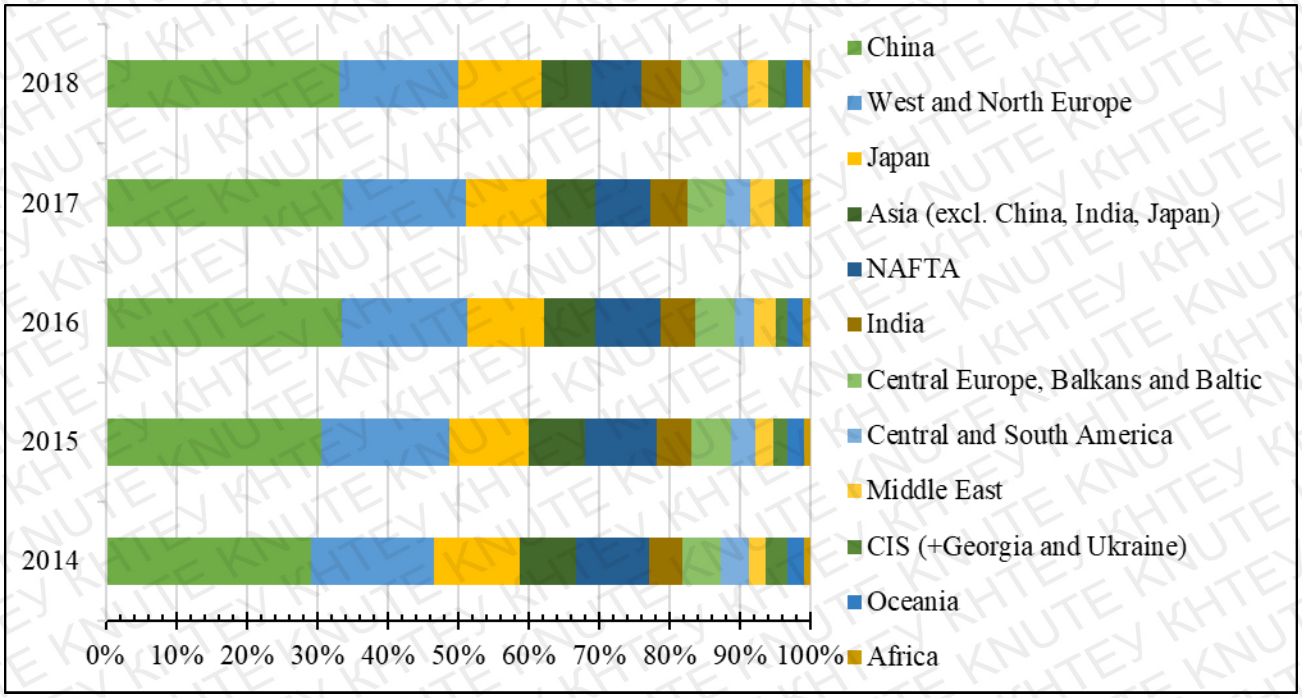


Figure 1.2. Geographical structure of the world market of light vehicles manufacturing for years 2014-2018, in units. Elaborated by the author based on Annex A.

The Figure 1.2 shows that a leader of the world car manufacturing is China due to cheap cost of labor, resource base and infrastructure capability. China is a well-known industrial country that has a large potential for manufacturing. During 2014-2018 China manufacturers increased the market share from 29% in 2019 to 33% in 2018. NAFTA region has lost 3.3% during 2014-2018. Significant reduction began in 2017 after the Donald Trump election and his lobby of the revising of the free-trade agreement between Mexica, Canada and the US that create a collapse in the car manufacturing system of the region [47].

Furthermore, as stated in Annex A, NAFTA reduces production on 2 mln units or 40.9% for the analyzed period that is the largest reduction amount other regions. Such reduction of manufacturing reflects with comparable growth of production in China on 3.6 mln units or 15.3% for the same period. West and North Europe (including Spain, Portugal and Italy) and Japan together have one-fourth of car production in the world due to cooperation of manufacturers as Renault-Nissan-Mitsubishi and regional strategy of allocation of production sources as Toyota – a company of Japan origin that has 9 plants in Europe [18].

Another factor that impacts the world market of light vehicles is a geographical structure of demand that is considered in Figure 1.3.

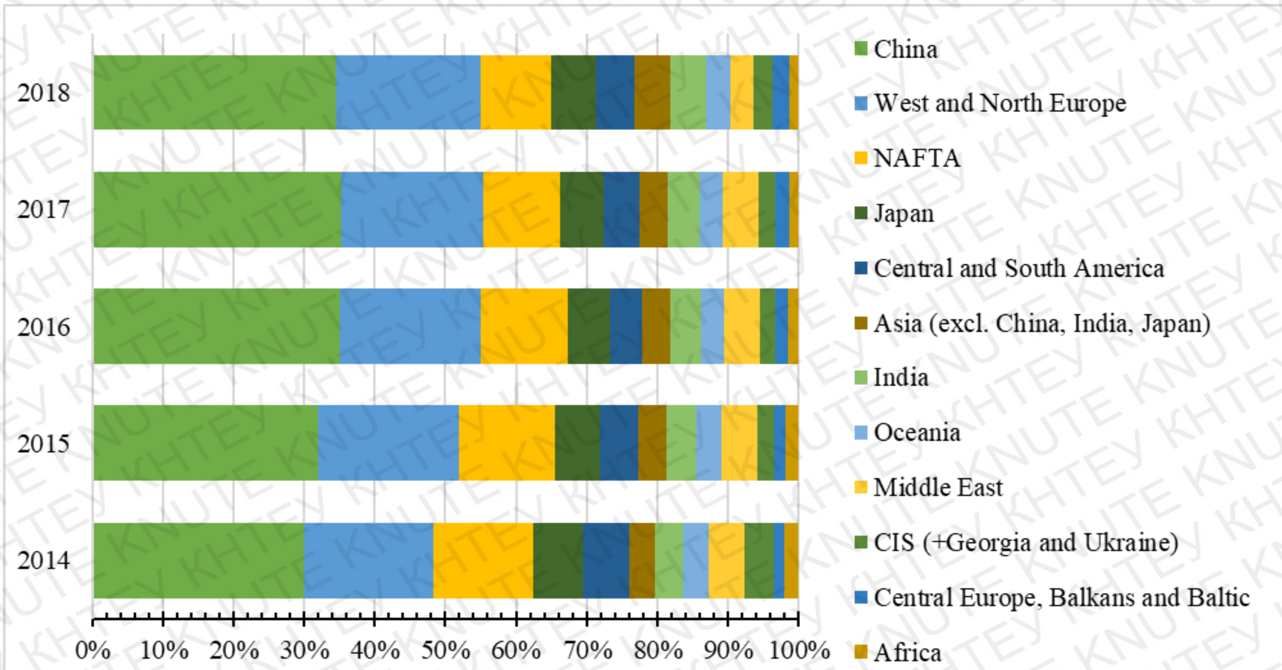


Figure 1.3. Geographical structure of the world market of light vehicle sales for years 2014-2018, in units. Elaborated by the author based on Annex B.

As stated in Figure 1.3 the world leader of sales is China and West Europe that totally cover 55% of world sales. NAFTA region shows the same trend in sales as in manufacturing and lost 4.1% for 2014-2018 years. In addition, there is a decrease in sales in the Middle East on 1.8% and the CIS region lost 1.4% of world sales.

In addition, the global trade market was analyzed defining the regions of export and import of light vehicles. Despite the leadership of China in production, it is not enough internal facilities to supply the internal demand. For the domain of light vehicles, Japan is a leader of car export on the world market and the leader of car import is West and North Europe. As presented in Table 1.1 for 2018 Japan satisfy internal demand and export on the world market 3,967 thousand light vehicles while

West and North Europe additionally import 2,008 thousand light vehicles to cope with demand.

Table 1.1

Light vehicles net export and import for the year 2018, k units

Country/Region	Volume of net export, k units	Volume of net import, k units
Japan	3,967	x
Central Europe, Balkans and Baltic	2,482	x
Asia (excl. China, India, Japan)	1,611	x
India	670	x
West and North Europe	x	2,008
NAFTA	x	1,737
Central and South America	x	1,132
Oceania	x	815
Middle East	x	224
China	x	180
Africa	x	141
CIS (+Georgia and Ukraine)	x	19

Elaborated by the author based on Annex C

Additionally, Annex C shows that the presented regions in Table 1.1 are permanent regions of export and import of light vehicles on the world market. From Table 1.1 it can be supposed that facilities allocated in Japan, Asia (excl. China, India, Japan) and India cover the demand of NAFTA, Oceania, Central and South America and China while Central Europe, Balkans and Baltic cope with the demand of West and North Europe, Africa and CIS countries

Regarding to the pricing policy, it should be mentioned that Central Europe facilities produced cars at low and medium price segment. For example, the Volkswagen group produces autos of Skoda, Seat, etc. [18], the Renault group produces Renault Clio, Renault Logan, Renault Duster [19]. But West and North region factories manufacture mainly medium and high price segment as Lamborghini [20] and Bugatti [18] of Volkswagen group, Renault Megan [19], Toyota Land Cruiser [17], etc. to satisfy need not only in the domestic region but also in CIS countries or the Middle East.

CIS countries together with Ukraine and Georgia is considered as an unattractive region of the world market due to the low level of purchasing power. Annex A shows that the region has a large reduction in manufacturing during 2014-2015 and in 2018 the level of manufacturing is still lower than in 2014 on 180 thousand units or 9.8%. As stated in Annex B the similar trend in sales. In 2018 level of sales is lower at 847 thousand units or 45.8% than in 2014.

Despite the trends of world trade, the abovementioned regions have different technical barriers and regulate their local market. In addition, on the level of United Nations car manufacturing is regulated by World Forum for Harmonization of Vehicle Regulation that involves the next spheres: noise, lighting and light-signaling, pollution and energy, brakes and running gears, general safety provision, passive safety [12].

On the one hand, many countries or unions have different legislation or technical limitations to light vehicle's safety, ecological parameters, etc. Such limitations create additional pressure on car producers due to non-harmonizable standards. For example, European Union has standards "Euro" for car engine emissions and fuel quality [13], USA and NAFTA have "EPA Tier" sheets for emissions [14] and China has another ecology limitation called "China" [15]. Large number of limitations stimulate car producers to develop not only visible part of cars but also create new engines and develop alternative cars such as hydrogen, hybrid, electric cars but, in addition to that, some companies as Volkswagen tries to manipulate standards and creates world-wide scandals such as "Diselgate" at 2015 and following market uncertainty.

On the other hand, countries try to develop alternative engine light vehicles. As McKinsey researched, Norway and Germany in the EU and China significantly increased their Electric Vehicles Development index through monetary and non-monetary government promotion [48].

It can be stated that the geographical structure of manufacturing and sales is in line with the classical statement of specialization of countries such as the cost of resources and labor, countries' specialization and market capacity on the national level.

1.2. Study of financial and economic activity of JSC Renault Ukraine

Renault is a world well-known corporation that was established by three brothers Renault in 1898 in France that produced cars and armor. Group Renault bought 99% Dacia shares in 1998, acquired shares of Nissan in 1999 that was in crisis, 70.1% shares of Samsung Motors in 2000, 25% shares of AvtoVAZ in 2008, created an alliance Renault-Nissan-Mitsubishi. At the end of 2018, the Group has 183,002 employees within 37 countries and EUR 57,419 mln. revenue.

As stated in the Law of Ukraine regarding foreign trade activity #959-XII in redaction dated as 7.2.2019 in Article 1: "A representative office of foreign subject of business activity is an office or entity that present interests of foreign subject of business activity in Ukraine and has the relevant authorities designed in a proper manner" [50]. Thus, any legal form of entity (not only the division of foreign company registered in accordance with Article 5 of the abovementioned law) can be a representative office.

JSC Renault Ukraine is a 100% subsidiary of Renault S.A.S (France) and a representative office of Renault Group in Ukraine that has delegated rights to act on behalf of the Group in Ukraine. The corporate structure of the JSC Renault Ukraine parent company Renault S.A.S is presented in Figure 1.4 below.

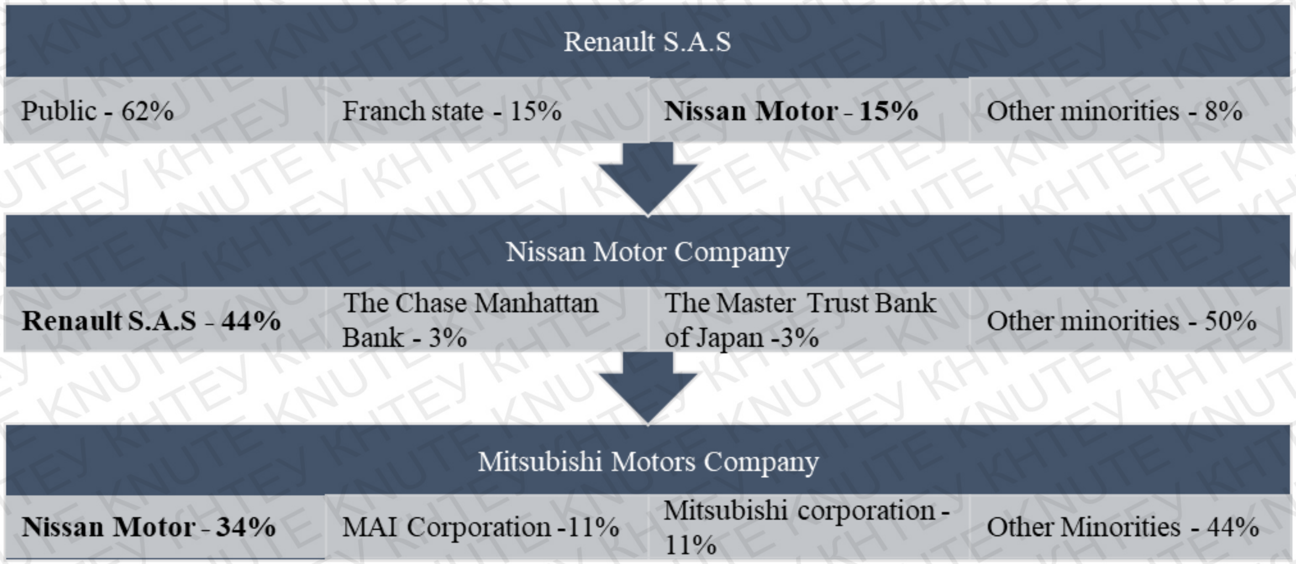


Figure 1.4 Corporate structure of Renault Group. Elaborated by the author based on [22-25].

From the one hand, the Figure 1.4 shows that the parent company as a part of the Renault Group created an alliance with Nissan Motor Company and has a significant influence on Mitsubishi motors through share control. In a view of this, we make a statement that Renault Ukraine is a part of the international group and has corporate relationships with Nissan Motors Ukraine and Mitsubishi Motors Ukraine.

On the other hand, all the abovementioned Ukrainian companies act in accordance with the strategic marketing plan of parent companies and are competitors on the local market. That is why financial and economic activity only of JSC Renault Ukraine was analyzed below.

In accordance with Amendments to the Law of Ukraine regarding accounting and financial statements in Ukraine #2164-VIII dated 5.10.2017 that is effective from 1.01.2018, JSC Renault Ukraine is the large-sized entity. Table 1.2 shows determining of the entity size, recalculation of assets at EUR exchange rate on 31.12.2017 and 31.12.2018, revenue recalculation on EUR average exchange rate for 2017 and 2018.

Table 1.2

Major determinants of JSC Renault Ukraine size in accordance with the Law #2164-VIII

FS Line	2018		2017		Large-size criteria	Result
	Amount, kUAH	Amount, kEUR	Amount, kUAH	Amount, kEUR		
Assets as of 31.12	883,464	27,857	963,150	28,755	> 20,000 kEUR	Large-sized
Revenue for the year	4,855,417	151,032	4,265,482	142,122	> 40,000 kEUR	Large-sized
Average employee quantity for the year	67	x	64	x	> 250 employees	Medium-sized

Elaborate by the author based on Annex K and [49,26].

As presented in Table 1.2 the company met two criteria of a Large-sized company by the amount of Assets and Revenue denominated in EUR.

Further analysis shows the financial and economic position of the company for the last five years. The analysis of the Income Statement and Balance sheet were made.

Firstly, the Revenue and Net profit margin analysis are performed in Table 1.3 and Annex D. In order to analyze financial results without inflation effect the recalculation on the average EUR exchange rate was performed.

Table 1.3

Financial result analysis of JSC Renault Ukraine for years 2013-2018, kEUR

Financial figure	2013	2014	2015	2016	2017	2018
Revenue for the year	147,717	67,368	68,382	103,696	142,122	151,032
Net profit/loss for the year	5,277	-1,188	1,782	3,795	375	8,931

Elaborated by the author based on Annex D

As stated in Table 1.3 the company had a significant decrease in revenue in 2014 in comparison with 2013 from 147,717 kEUR to 67,368 kEUR and only in 2018 could receive a Revenue higher than in 2013 at the amount of 151,032 kEUR.

The same situation is observed with a Net profit. In 2014 the company received net loss at the amount of 1,188 kEUR and the lowest Net income was in 2017 – 375 kEUR due to marketing strategy on the Ukrainian market. In 2018 the company reached the level of Net profit higher than in 2013 at the amount of 8,931 kEUR that is higher than the Net profit for the years 2014-2018 together.

Secondly, the Income statement trend analysis was performed in Table 1.4.

Table 1.4

Income statement trend analysis of JSC Renault Ukraine for years 2014-2018

	Absolute deviation, kEUR					Relative deviation, %				
	For the year					For the year				
Trend of	**2014**	**2015**	**2016**	**2017**	**2018**	**2014**	**2015**	**2016**	**2017**	**2018**
Sales	-80,349	1,014	35,314	38,426	8,910	-54	2	52	37	6
Cost of goods sold	-70,795	2,650	32,828	38,187	-293	-56	5	57	42	-0
Total operating activity	-80,191	2,068	34,351	38,473	10,417	-54	3	49	37	7
Gross profit	-9,554	-1,636	2,486	238	9,203	-44	-13	23	2	69
Operation profit	-7,707	3,034	2,480	-4,184	10,628	-114	-317	119	-92	2,842
Net profit	-6,465	2,970	2,013	-3,420	8,556	-123	-250	113	-90	2,280

Elaborated by the author based on Annex K and [26].

As stated in Table 1.4, the company had a significant overall decrease in the 2014 year and the Gross profit reduction in 2015 on 1,636 kEUR or 13% due to the faster growth of the Cost of goods sold on 2,650 kEUR or 5% than Sales that had a growth on 1,014 kEUR or 2%.

Another, significant decreases that are presented in the analysis are Operating and Net profit reduction on 4,184 or 92% and 3,420 or 90% respectively. This reduction differs from the situation in 2014 due to nature of factors that affected on business activity. In 2014 the company’s overall decrease was caused by external factors that are described in Paragraph 2.1, while a partial decrease of trend indicators in 2017 were caused by marketing strategy and additional Marketing and Distribution expenses that were described in Paragraph 2.2.

Thirdly, the Margin analysis was performed and is presented in Table 1.5.

Table 1.5

Margin analysis of JSC Renault Ukraine for years 2013-2018, %

Profitability ratios	**abbr.**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Gross profit margin for the year	GPM	15	18	16	13	9	15
Operating profit margin for the year	OPM	5	-1	3	4	0.26	7
Net profit margin for the year	NPM	4	-2	3	4	0.26	6

Elaborated by the author based on Annex K

As stated in Table 1.5, the company reached the highest level of GPM in 2014 but external factors that affected the reduction of marginality are disclosed in PART 2 and significantly impact operating activity and, as a result, company received a negative margin in 2014 – -2%. In 2017 the company voluntarily decreased margin down to 9% through the policy of low pricing that is described in Paragraph 2.2 and increased Marketing and Distribution expenses that significantly affected the OPM that reduced from 4% in 2016 to 0.26% in 2017. JSC Renault Ukraine does not have any financial costs that is why Net profit margin has the same trend as Operating profit margin with adjusted on the tax amount.

The next step of analysis is the dynamic of assets and liabilities that are performed in Table 1.6 and Annex E.

Table 1.6

Dynamic of assets and liabilities for 2013-2018 years, kEUR

Financial figure	2013	2014	2015	2016	2017	2018
Fixed assets as of 31.12	1,383	627	838	1,148	1,868	2,080
Current assets as of 31.12 incl.	21,983	9,268	11,167	20,507	24,507	28,290
Inventories as of 31.12	*13,260*	*1,743*	*5,235*	*13,266*	*16,780*	*15,514*
Inventories share in Current assets as of 31.12, %	*60%*	*19%*	*47%*	*65%*	*68%*	*55%*
Current liabilities as of 31.12 incl.	17,220	9,679	10,202	16,216	22,217	17,932
Trade payables for goods and services as of 31.12	*13,454*	*7,056*	*8,422*	*12,996*	*18,856*	*11,695*
Trade payable share in Current liabilities as of 31.12, %	*78%*	*73%*	*83%*	*80%*	*85%*	*65%*

Elaborated by the author based on Annex D

As Table 1.6 shows, the amount of Fixed assets decreased to 627 kEUR in 2014 and after that increased on approximately 200 kEUR each year except in 2017. If we compare the amounts of fixed assets in 2016 and 2017 it can be concluded that the company acquired additional fixed assets. The new fixed assets are new light vehicles that accounted on the balance of JSC Renault Ukraine but were sent to dealers for test-driving services but not for sale.

Current assets and liabilities reduction in 2014 and further increasing represents external factors affect the business activity of the company. And a great deal of

Current assets is Inventory except 2014 and of Current liabilities is Trade payables for goods and services. The major part of Current assents in 2014 was cash (see in Annex FS). Long-term liabilities and external financing were absent during the analyzed period.

Then, the liquidity analysis was performed in Table 1.7.

Table 1.7

Liquidity ratio analysis of JSC Renault Ukraine for years 2013-2018

	As of 31.12					
	2013	**2014**	**2015**	**2016**	**2017**	**2018**
Current ratio	1.28	0.96	1.09	1.26	1.10	1.58
Quick ratio	0.51	0.78	0.58	0.45	0.35	0.71
Acid-test ratio	0.24	0.47	0.28	0.22	0.12	0.47
Working capital, kUAH	52,596	(7,913)	25,293	121,967	76,716	328,516

continuation of Table 1.7

Elaborated by the author based on Annex K

As stated in Table 1.7 the Company reached a higher level of Current ratio only in 2018 comparing to in 2013. At the end of 2018 Renault Ukraine has a higher volume of Cash in bank than in all previous year that also affected on current ratio and acid-test ratio. As it was mentioned above in Table 1.6, the Current assets structure was different due to the low level of inventories and the high amount of cash that is also presented in Acid-test ratio in 2014. Despite this, the company had more liabilities than assets in 2014 that is shown in the Working capital dynamic.

In fact, there is no risk of such a reduction of working capital due to the structure of Current assets and the nature of the business. As stated in Table 1.6 Trade payables for goods and services was in the range of 65-85% of Current liabilities for the analyzed period. The nature of the business of the studied enterprise is to buy light vehicles on the intergroup plants and resell them in the Ukrainian market. A combination of these two facts gives us the assurance that Trade payables is intercompany debt that has the lowest risk of non-repayment, court claims or sanctions for the company.

Further, financial stability analysis is performed in Table 1.8

Table 1.8

Financial stability and Debt Ratios analysis of JSC Renault Ukraine for the year 2013-2018

	As of 31.12					
	2013	**2014**	**2015**	**2016**	**2017**	**2018**
Financial independence	0.26	0.02	0.15	0.25	0.16	0.41
Provision of current assets	0.22	-0.04	0.09	0.21	0.09	0.37
Capital mobility	0.78	-1.90	0.54	0.79	0.55	0.83
Shareholders Equity to Debt	0.36	0.02	0.18	0.34	0.19	0.69
Debt to Shareholders Equity	2.80	44.80	5.66	2.98	5.34	1.44
Debt to Assets	0.74	0.98	0.85	0.75	0.84	0.59

Elaborated by the author based on Annex K

As Table 1.8 shows, the company increased financial stability performance to the level of year 2013. All ratios decreased in 2014 and then year by year increased to the normal level. The financial independence ratio directly correlates with the financial results for the year and the net loss that was presented in Table 1.3 in the amount of 1,188 kEUR for 2014. In addition, a significant increase of financial result in 2018 up to 8,931 kEUR (Table 1.3) led to a positive change of the financial independence.

The provision of current assets and Capital mobility had a negative ratio in 2014 due to a significant loss that led to a situation when Shareholders Equity and Retained Earning together were lower than the Fixed asset amount. Positive change of Capital mobility ratio in 2018 was caused by Cash and Inventory at end of the financial year.

Shareholders' equity and the debt ratio and inverted ratio are non-representative ratios as the company have no external financing and main liabilities is intercompany debt and represent only a speed of payments to Renault Group and seasonal volume of purchases that stays unpaid on the 31 December of each year. At the same time, Debt to Assets ratio trend shows that the company increased the amount of Current assets and reduce the amount of Current liabilities and pay for goods and services faster.

The next step of analysis of JSC Renault Ukraine is activity analysis that is presented in Table 1.9.

Table 1.9

Activity ratios analysis of JSC Renault Ukraine for year 2013-2018, index

	abbr.	For the year					
		2013	2014	2015	2016	2017	2018
Total assets turnover	TAT	x	4.7	6.6	6.3	5.7	5.3
Non-current assets turnover	NCAT	x	77.6	97.2	107.4	89.6	75.6
Current assets turnover	CAT	x	5.0	7.0	6.7	6.1	5.7
Inventory turnover	IT	x	9.6	16.4	10.0	8.2	7.8
Average age of Inventory, days	DSI	33.6	11.4	29.9	46.3	47.4	36.5
Account receivables turnover	ART	x	32.3	41.3	45.9	39.9	42.2
Average collection period, days	ACP	8.2	10.2	10.9	9.6	11.5	7.0
Account payables turnover	APT	x	6.8	8.7	9.4	8.2	9.0
Working capital turnover	WCT	x	47.5	190.4	39.8	42.9	24.0

Elaborated by the author based on Annex K

As stated in Table 1.9, the company has slow-down of turnover in 2018 in comparison with previous years. Significant increase of NCAT in 2016 up to 107.4 was a result of a renovation of fixed asset that was presented in Table 1.4 while amount of the fixed assets increased from 838 kEUR in 2015 to 1,148 kEUR in 2016.

However, increasing of the working capital turnover in 2015 represents the inflation process and violation of the exchange rate due to ratio calculation based on Financial statements in UAH. The comparison of real growth in EUR and growth in UAH are presented in Table 1.10 below.

Table 1.10

Revenue growth comparison for years 2014-2015

	2014	2015	Growth, kUAH	Growth, kEUR
Revenue for the year, kUAH	1,060,436	1,654,901	594,465	24,564
Revenue for the year, kEUR	67,368	68,382	x	1,014

Elaborated by the author based on Annex K and [26].

As calculated in Table above, the real Revenue growth was 1,014 kEUR while in UAH the amount was 594,465 kUAH and if recalculate the UAH growth in EUR it should be 24,564 kEUR that is more than a real growth due to exchange rate violation. That is why working capital turnover in 2015 was 190.4.

Despite turnover slow-downing, it should be emphasized that the average age of inventory starts decreasing and in 2018 shows 36.5 days that are better than in 2016-2017 – years of the largest semi-legal import of cars with foreign registration called "yevrobliahi". Further, profitability ratios were analyzed in Table 1.11

Table 1.11

Profitability analysis of JSC Renault Ukraine for years 2013-2018

	abbr.	**For the year**					
		2013	**2014**	**2015**	**2016**	**2017**	**2018**
Return on assets	ROA	0.22	(0.10)	0.14	0.17	0.01	0.30
Return on equity	ROE	0.83	(4.50)	0.91	0.69	0.08	0.73
Return on sales	ROS	0.04	(0.02)	0.03	0.04	0.003	0.06

Elaborated by the author based on Annex K

As stated in Table 1.11, the company received a Net loss and had negative ratios in 2014. After 2014 the largest decreasing was observed in 2017 when the company used aggressive marketing strategy and kept prices low that was described in Paragraph 2.2 below. This decision had a direct impact on Net profit and unsatisfied profitability ratios in 2017. As a marketing strategy, it had positive results and increased Return on assets up to 0.22 in 2018 that is higher than in 2013 and Return on sales up to 0.06.

The last domain of financial and economic analysis is a fixed assets analysis that is performed in Table 1.12.

Table 1.12

Fixed assets indexes analysis of JSC Renault Ukraine for years 2013-2018

Index of	**As of 31.12**					
	2013	**2014**	**2015**	**2016**	**2017**	**2018**
Depreciation	0.34	0.40	0.30	0.33	0.25	0.28
Renovation	x	0.39	0.67	0.37	0.64	0.43
Suitability	0.66	0.60	0.70	0.67	0.75	0.72
Residual value to Total Assets	0.03	0.03	0.04	0.02	0.03	0.03

Elaborated by the author based on Annex K

As presented in Table 1.12, the company has a high renovation index that was the highest in 2015 – 0.67 and in 2017 – 0.64. The policy of renovation of automobiles keep a low level of depreciation index that was the lowest in 2017 – 0.25%. Index of Residual value to Total assets is average 0.03 during the analyzed period due to the nature of the business that need a small amount of fixed assets to generate revenue.

In conclusion, analysis of the financial and economic activity of JSC Renault Ukraine shows us that the company has a well-targeted internal strategy of cash collecting, trade receivables and payables level, inventory turnover, addition and disposal of fixed assets, revenue and expenses strategy. Doubtless, the strategy should include local and world market trends and the Group regional strategy. It can be considered that Renault Group is interested in the Ukrainian market or in other way there is no additional financing for the office for developing of business in crisis and post-crisis period or in another way Renault Ukraine would be closed as Geely Ukraine.

Conclusions to the Part 1

The world market analysis shows the difference in geographical structure of manufacturing and sales of light vehicles. The leaders of car manufacturing are China, West Europe, and Japan. At the same time, the permanent region of car imports are Chine, West Europe, and NAFTA. These facts make us confident that the world market is divided into permanent centers of car production and consumption.

It also can be concluded that Chinese manufacturing facilities cover only internal demand and net world trade is insignificant if compare with other countries or regions. That is why a classical statement of specialization of countries such as cost of resources and labor, regions and countries specialization is applied for all regions except China because it has all resources for car production but may cover only internal demand that is approximately 1/3 of the total world light vehicle demand.

Among other regions, CIS (incl. Ukraine and Georgia) is an insignificant region as a vehicles production center as a consuming center. Main production facilities and consumption of light vehicle centers are allocated in Russia (AvtoVAZ). Other countries have a small amount of local manufacturing (Hyundai, Daewoo-Lanos in Ukraine, etc.) and import cars from another region.

Further analysis shows that Toyota, Volkswagen and Ford are leaders of car sales in the world. At the same time, the sales of the Renault-Nissan-Mitsubishi alliance together will be equal to Toyota sales.

In addition, analysis of technical barriers shows that they are one of the significant factors that affect world sales and manufacturing of cars aimed at protecting not only from climate changes but also are used in local policies of manufacturer protection and attracting of investment for creating manufacturing facilities in a country or union. In order to challenge technical barriers Toyota opened plants in the areas of different technical legislation and produce cars with the different types of engine that meet local or regional criteria, but other companies use alliances (as Renault-Nissan-Mitsubishi) or mergers (as Volkswagen, Ford) to produces cars that meet different regional technical criteria.

Further analysis of the net importing region as CIS with Georgia and Ukraine on the base of JSC Renault Ukraine shows that global companies have subsidiaries in the net importing countries in order to effectively sale light vehicles and complementary goods and services. Such local representative offices of distributors have direct financing from parent companies and should challenge local market conditions in order to be profitable and expand the market.

The study of financial and economic activity of JSC Renault Ukraine permits us to make the following statements about the current performance of the studied enterprise:

1. The company increased revenue in EUR equivalent for the 2018 financial year at the level that is higher than in 2013 year.

2. The company tries to increase the volume of sales in different ways including: keeping price policy, increasing marketing expenses for car promotion, etc.

3. Renault Ukraine has a highly depends on the EUR exchange rate change.

4. The company is significantly affected by external factors that influence financial positions.

To draw the conclusion, one can say that JSC Renault Ukraine has passed the local market crisis through aggressive market strategy that included: cutting marginality for keep prices in order to attract customers, increase marketing expenses in EUR equivalent for brand promotion due to increased level of competition not only with official brands but also with a small entities that import used cars in Ukraine.

PART 2. EVALUATION OF PERFORMANCE OF SALES AND MARKETING ACTIVITY OF JSC RENAULT UKRAINE

2.1. Analysis of the impact of environmental factors on sales and marketing activity of JSC Renault Ukraine

In order to understand the background of JSC Renault Ukraine current marketing strategy, which has an impact on sales and marketing activity of JSC Renault Ukraine today, we used the method of PEST-analysis, presented in Table 2.1, that is based on a list of the most significant environmental factors and their effect on the subject.

Table 2.1

PEST-analysis for JSC Renault Ukraine

Factor	Impact
P - Political	
1. Political instability due to president and parliament elections during 2019	Slow-down of foreign investment in Ukraine
2. Insufficient support for foreign direct investments.	

3. Insufficient prevention of shadow economy	Impossibility to calculate average household income
	Increasing of semi-legal import
4. Low speed of reforms that prevent corruption in government institutions	Slow level of increasing of foreign investment
	Slow level of increasing of legal household income
5. Legislation pressure in the area of imported vehicles	Grey market growth as one of the main competitor
	Decreasing of competitiveness of legally imported cars
6. Semi-legal import and sales of cars with foreign registration	Grey market Increasing as one of the main competitor
	Additional expenses on marketing for client-flow increasing
7. Military conflict on Donbas and occupation of Crimea	Slow-downing of foreign investment in Ukraine
8. Domestic industry protection policy	
9. The signing of Association Agreement between the European Union and Ukraine	Potential increasing of investment
	Reduction of some barriers for foreign trade
	Standards Unification

continuation of Table 2.1

Factor	Impact
10. Protests against government contribution policy in the light vehicles industry	Slow-down of political decisions that prevent the semi-legal import
11. Problems in parking legislation and control of parking	Negative factor that affect buyers' decision to buy or not
E-Economic	
1. Reduction in GDP in 2014-2015 year and the next moderate GDP growth	Decreasing of a real household income and purchasing power
2. High level of inflation and consumer price index in 2014-2015	Reduction of the market of light vehicles
3. Growth of local currency ratio during 2014-2016	Decreasing of competitiveness of legally imported cars
	Decreasing of the real household income
4. High level of excise duty and contributions fees from car import	Reduction of the market of light vehicles
	Decreasing of competitiveness of legally imported cars
	Increasing of grey market and semi-legal import

5. Reduction in a bank industry during 2014-2017	Decreasing of probable customer loan programs
6. Number of other factors influencing the bank sector that creates expensive credits for personal usage and automobile loans that makes credit purchases unattractive	Negative factor that affects buyers' purchase decision
7. Developing of substitute light vehicles market that is a direct competitor of the market of imported light vehicles	Decreasing of competitiveness and threats from substitutes.
8. Reduction in local production facilities and conversion of facilities on producing of other kinds of transport among competitors in 2016-2018	Increasing of marketing and promotion expenses
S-Socio-cultural	
1. The small size of families.	The negative factor that affects buyers' purchasing decision to buy a vehicle
	The factor that defines the type of light vehicle that probably can be bought
2. The social classes are difficult to detect due to the shadow economy, and salaries in the “envelopes”.	Difficulty to plan market share, sales and calculate average household income

continuation of Table 2.1

Factor	Impact
3. Differentiation in social classes.	Create strict limits of the target group of customers
4. Due to the high expense on maintenance and fuel cause public transport preferences.	The negative factor that affects buyers' decision to buy or not
5. Preference of the large and expensive automobile than functional and small.	
T-Technological	
1. Moderate growth of non-petroleum and the hybrid market.	Create the possibility to increase of market share on the local market through sales of alternative engine cars
2. The slow change of age automobile park in regions.	Additional marketing expenses for promoting of new vehicles
3. Low quality of road conditions that prevent the development of car sales in Ukraine.	The negative factor that affects buyers' decision to purchase a vehicle
4. Small assets ability of car production in Ukraine.	Slow-down of foreign investment in Ukraine

Elaborated by the author.

As presented in PEST-analysis, most of the factors create a negative impact on the light vehicle market. The largest part is a Political one that contains factors that affected foreign investment activity and led to Economic factors. At the same time, Economic factors caused decreasing in household income and purchasing power and led to the substitute market of used cars growth that is the main competitor of the new light vehicles market.

In addition to the PEST-analysis, currency exchange rate change was analyzed due to a significant impact on the price of the vehicle in local currency. The dynamic of the currency exchange rate is presented in Table 2.2.

Table 2.2

The dynamic of average exchange rate of EUR

Year	2013	2014	2015	2016	2017	2018
UAH/EUR rate	10.61	15.72	24.23	28.29	30.00	32.14
Growth to PP, %	x	32%	35%	14%	6%	7%

Elaborated by the author based on [26].

Increasing of currency ratio in 2.15 times in 2018 in comparison with 2013 shows that companies that import light vehicles, due to operating activity, had to raise prices in UAH equivalent in order to keep margin rate, be profitable or keep market share. Growth in 2014 by 32% and in 2015 by 35% that led to net loss additionally was accompanied by assets loss at occupied Crimea and Donbas.

Another factor that has a significant influence on the light car market is a consumer price index. The dynamic of the consumer price index is presented in Table 2.3.

Table 2.3

The dynamic of consumer price index in Ukraine

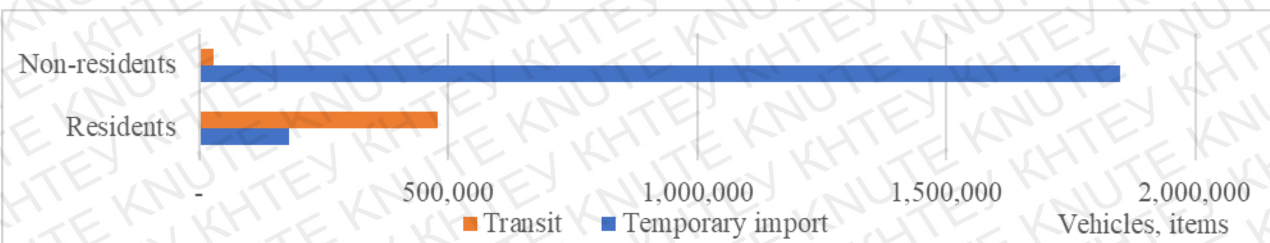
Year	2013	2014	2015	2016	2017	2018
Consumer price index, %	1%	25%	43%	12%	14%	10%
Growth to PP, %	x	98%	42%	-249%	9%	-40%

Elaborated by the author based on [27].

Table 2.3 shows that the dynamic of consumer price index in 2014-2015 years increased prices on 68% (43+25) for two years in Ukraine. An increase in index led to negative changes in consumer patters.

Analysis of Structure of household expenses [28] shows that the main expenses of Ukrainian citizens relate to basic needs such as food and other commodities that on average composed 54% for the last 5 years. Furthermore, starting from 2013 share of utilities expenses increased from 8% to 14.7%. Share of Others also includes health and education, closes and shoes, transport expenses. Mentioned above figures show that household in Ukraine cannot afford to purchase of the light vehicle within their own income, not speaking about bank loans. Even positive trends in the exchange rate and inflation from 2016 cannot improve the structure of expenses that would give a positive trend to the fast growth of the light vehicle market.

Based on purchasing power indicators presented before, there is evidence to suggest that in order to satisfy the need for the automobile in the situation of low income and high prices, citizens began to look for cheaper, that is to say, alternative



ways to buy a vehicle. People began to buy automobiles in Central Europe and use or resell ones in Ukraine without paying for excise duties, taxes and other contributions and fees. Figure 2.1 shows the number of residents that move vehicles in Ukraine in regime “temporary import” and “transit” that is not accounted for custom registration.

Figure 2.1. Breakdown of temporary import and transit through residents and non-residents for 2016-2018 years. Elaborated by the author based on [29].

Besides, in accordance with paragraph 95 of the Custom Code of Ukraine, automobile owners can use a 5- or 10-days free period to use an automobile without custom registration on the custom area of Ukraine [30]. In order to use the automobile, people passed custom with the same automobile repeatedly that led to additional overload on custom and created fictitious cross-border movement.

To stop illegal using of automobiles without custom registration, the Ukrainian government started strict inspection of vehicles with foreign registration that caused social fallout. By different calculations, including Government Fiscal Services, the number of vehicles that are moving through the custom border in order to renew free period and vehicles with overdue transit regime totally is nearly 500 000 as it is shown in Figure 2.1. Strict inspection from police and confiscation of vehicles led to protests of the car owners. The goal of the protest is the changes to legislation that would create an ability to import used automobiles with minimal contributions and legalizing vehicles that already was in transit [31]. The potential victory of the protest could lead to a free inflow of used automobiles in Ukraine that would increase the substitute market and have a negative effect on the operating activity of enterprises importing light vehicles.

In order to stop the protest, government offered to compromise and passed the laws №2611-VIII "On amendments being made to Taxation Code of Ukraine in respect of taxation of excise duty of light vehicle" and №2612-VIII "On amendments being made to Custom Code of Ukraine and other laws of Ukraine in respect of carriage inwards of vehicles on the custom area of Ukraine" that temporary estimated rebate on 50% on excuse duty and other contributions [32,33]. The social protest was stopped, and citizens used this rebate to legalize automobiles with foreign registrations.

According to different sources, nearly 218 000 vehicles were legalized in the first quarter of 2019 [34]. However, even the government rebate was not enough to legalize all vehicles that were already in regime transit due to custom duty size. Payments for an old vehicle can be more than 100 % of the primary cost of the vehicle including rebate that was temporarily conducted by laws №2611-VII and №2612-VII mentioned above.

In order to analyze the new light vehicle market loss and Renault share within it, Figure 2.2 was built.

	2013	2014	2015	2016	2017	2018	2019
Renault	1,178	899	4,587	3,828	9,366	12,771	15,032
Other	24,743	7,864	18,544	20,713	58,919	117,662	227,577

Figure 2.2. The number of car registration in Ukraine (less new car) for 2013-May 2019, units. Elaborated by the author based on [51]

Figure 2.2 shows the volume of light vehicles that were produced in the period of 1995-2015 and firstly passed registration after official sales of the year of production or in the next year. For example, a car that produced in 2014 was legalized in 2018, while the car that produced in 2018 or in 2017 was excluded from the calculation of 2018. "Firstly, passed registration" means that the car was imported (pass customs and duties was paid) and firstly included in the databases of the Ministry of Internal Affairs that means that the car was not bought on the local market. The graph shows that the government pressure made car owners with foreign registration pass the legalization process and present losses of potential buyers.

Therefore, the described above situation with vehicles without custom registration had a negative impact light vehicle market. The negative factors are:

- Decreasing in the number of potential buyers, no less than on 523 623 (total amount of Renault and other for 2013-2019 in Figure 2.2) in the middle term. These people have already bought an automobile, legalized it and will use it for a time.

- Decreasing in prospect buyers due to money loss. If a person did not legalize an automobile in the period of government rebate, police would confiscate an automobile. This number corresponds to the number of places near the border where people left automobiles without paying a customs fee [35]. There is evidence to suggest that a person would not buy a new imported vehicle due to fact that: he/she will buy low-end automobiles and probably will buy the next automobile on the substitute market or he/she will not buy an automobile at all.
- Increasing of substitute market volume that creates additional pressure on the market of imported automobiles.

In conclusion, all of the factors mentioned in PEST-analysis and situation with automobiles without custom registration that led to an additional decreasing in market volume of imported light vehicles created difficulties for subsidiaries importing light vehicles. The results of external factors impact: light vehicle market reduction in twice and change of structure, purchasing power decrease, etc. It creates additional threats and motivates distributors to challenge the negative impacts of developing the marketing strategies aimed to keep existing market share or change sales strategy.

2.2. Assessment of performance of sales and marketing activity of JSC Renault Ukraine

The assessment of sales and marketing activity performance was analyzed by several scientists. Consequently, a range of methods was elaborated through the years of marketing theory development that can be largely divided into two concepts: profitability and performance analysis. In this study, the approaches described in O. Bochko's research article "Determining the level of efficiency of marketing activity in the short run" was used [53]. The author uses "performance" term in order to analyze the marketing activity of an entity. O. Bochko emphasizes Ph. Kotler's understanding of marketing performance and offers to use Kotler ratios and algorithm of performance evaluation. However, Ph. Kotler ratios suppose the use of confidential data, that is why, in addition, the study “Performance of marketing activity of companies” by A. Savchuk [52] was used in this paper with an aim to use the ratios available in open data sources. As a result, the evaluation of marketing performance in this work includes the main stages of algorithm elaborated by O. Bochko and ratios presented by A. Savchuk in their studies.

Firstly, the sales and market share of a market leader in Ukraine was analyzed in Table 2.4

Table 2.4

Ukrainian market leaders’ sales and market share, k units/%

	2013		**2014**		**2015**		**2016**		**2017**		**2018**	
	Volume	Share	Volume	Share	Volume	Share	Volume	Share	Volume	Share	Volume	Share
TOYOTA	15.4	7%	10.3	11%	4.9	11%	7.7	12%	9.7	12%	10.1	12%
RENAULT	11.3	5%	5.3	5%	4.2	9%	6.4	10%	8.7	11%	8.7	11%
VOLKS WAGEN	12.9	6%	5.4	6%	2.3	5%	5.0	8%	6.5	8%	6.2	8%
SKODA	12.3	6%	5.2	5%	2.2	5%	4.1	6%	5.7	7%	5.4	7%
KIA	13.2	6%	3.8	4%	2.0	4%	4.0	6%	5.3	6%	4.9	6%
Other	148.2	69%	67.1	69%	30.9	66%	38.4	59%	46.1	56%	46.3	57%
Total	213.3	100%	97.0	100%	46.5	100%	65.6	100%	82.0	100%	81.5	100%

Elaborated by the author based on [36].

Table 2.4 shows that leading companies have increased volumes of their sales by the level of 2014. Renault significantly increased its market share from 5% in 2013 to 11% in 2018 or on 6% for 5 years. In addition, the volume of “Other” in 2013 is 148.2 ths. units or 69% that appoint on other structures of the market. The market structure of the new vehicle market in 2013 was analyzed in Table 2.5.

Table 2.5

2013 Ukrainian market leaders’ sales and share, k units/%

Brand	**HYUNDAI**	**ZAZ**	**GEELY**	**TOYOTA**	**VOLKSWAGEN**	**RENAULT**	**Other**
Volumes	18.0	17.7	16.4	15.4	12.9	11.3	121.6
Share	8%	8%	8%	7%	6%	5%	57%

Elaborated by the author based on [36].

As we can see there are three company: Geely, ZAZ and Hyundai that in 2018 was not included in TOP 5 of market leaders. That is why we can conclude that market structure has the changes during 2014-2018. These changes in the market structure have a positive effect on the activity of Renault Ukraine due to additional ability to increase market share.

Moreover, the sales and marketing performance of Renault Ukraine was made in Table 2.6.

Table 2.6

Sales and marketing performance ratios of JSC Renault Ukraine

	2013	2014	2015	2016	2017	2018
Sales performance	1.08	1.13	1.09	1.06	1.02	1.09
Return on Sales	0.05	-0.01	0.03	0.04	0.00	0.07
Return on Marketing Investment	13.01	13.64	13.22	13.10	12.43	13.14

Elaborated by the author based on Annex K and [52].

As presented in Table 2.6 that sales performance (efficiency) has a stable trend except for 2017 when the marketing expenses were the highest. Slight increase in sales performance in 2014 was offsetted by operating expenses that affected Return on Sales ration in 2014. High operating expenses led to -0.01 of Return on Sales that represent a Net loss for 2014 year. The decreasing in sales performance correlated with Return of Sales that 0.00 for the financial period in 2017. The main reason of reducing for 2017 is a marketing campaign that was implemented and increased marketing expenses.

For analysis of Sales performance and Return on Sales and Marketing investments, additional analysis of revenue and cost of goods sold (COGS) were done in Table 2.7

Table 2.7

Revenue and COGS per unit for years 2014-2018

Year	Revenue per unit, EUR	Deviation	COGS per unit, EUR	Deviation
2014	12,834	x	10,495	x
2015	16,204	26%	13,681	30%

2016	16,225	0%	14,170	4%
2017	16,398	1%	14,855	5%
2018	17,321	6%	14,732	-1%

Elaborated by the author based on [26,36].

As presented in Table 2.7 the Revenue and COGS growth trend defers from each other. The revenue per unit during 2015-2017 was insignificantly increased from 16,204 in 2015 to 16,398 in 2017 while COGS increased much faster from 13,681 in 2015 to 14,855 in 2017. Adding information of volumes of sales presented in Table 2.4, it can be stated that the company used its “safety cushion” of marginality in order to increase market share, holding prices at the level of 2015 despite COGS growth. In order to analyze the results of holding price policy Table 2.8 was performed.

Table 2.8

Holding price policy results, EUR

	Gross profit per unit	Deviation	Efficiency of import	Deviation
2014	2,340	x	18%	x
2015	2,523	8%	16%	-3%
2016	2,055	-19%	13%	-3%
2017	1,543	-25%	9%	-3%
2018	2,589	68%	15%	6%

Elaborated by the author based on [26,36].

As presented in Table 2.8, the Gross profit per unit and Import efficiency decreased due to holding price policy. However, the lowest gross profit was in 2017 year – 1,543 EUR per unit when the semi-legal import of used cars had the largest volumes. It also correlates with the growth of COGS at 5% in 2017 (Table 2.7). In order to be more competitive not only with other brands for market share but also with substitute market, Renault Ukraine increased Market and Sales expenses. The amount of such expenses was analyzed in Table 2.9.

Table 2.9

Marketing and Sales expenses of JSC Renault Ukraine, EUR

	2014	2015	2016	2017	2018
Expenses per unit	877	1,139	1,151	1,221	1,225
Deviation	x	30%	1%	6%	0%

Elaborated by the author based on [26,36].

As presented in Table 2.9, the amount of Marketing expenses directly correlates with the beginning of holding price policy. Increasing by 6% in 2017 caused by the necessity to be more competitive and attract the attention of customers to more expensive new vehicles in comparison with the substitute market.

Besides some quantitative data of internal marketing analysis, the qualitative descriptive data about the marketing program, or so-called classic approach of 4P' marketing tools is presented further. Table 2.10 covers and summarized the up-to-date marketing mix essentials for Renault Ukraine's leading products, their price, placement and promotion.

Table 2.10

Major elements of JSC Renault Ukraine marketing mix

Product type	Product line	Price, ths. UAH on Apr 2019	Promotion/Positioning
Crossovers (SUV)	Kadjar	495-691	Go for a call of life
	Duster	354-410	Impulsive. Durable. Your
	Captur	407-507	You always have a choice
Passenger (LMV)	Logan	273-285	Your family assistant
	Sandero	263-366	Mobility at acceptable price
	Lodgy	409-461	Durable. Modern. Functional
	Megan	418-567	You MEGAnew life

Elaborated by the author based on [10, 21].

As an analysis shows, classic saloon car as Logan is promoted as a family car as well as Lodgy but the last one is a universal type for a big family. Sandero is positioned as a personal car that can also be used as a family car, but Megan is a premium car in the middle price segment for customers that can emphasize their social status among other people in the selected price range. The marketing mix shows that some product lines cover a definite segment of customers but the other can be used for a wide range of segments of the light vehicle market.

The Placement also termed as a Distribution instrument of the marketing mix is analyzed and presented in Figure 2.3.

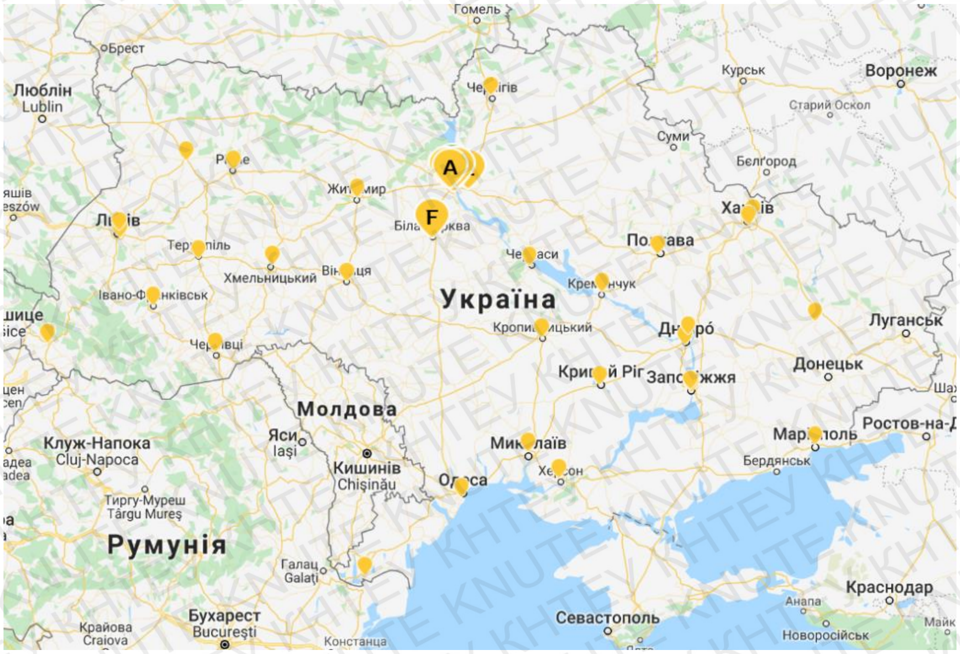


Figure 2.3 Geographical coverage of Renault with the official dealer network [37].

As seen in Figure 2.3, Renault is presented in each oblast center except Sumy.

In addition, Renault dealers is presented Mariupol, Kramatorsk, Kremenchuk, Kryvyii Rih, Izmail and Bila Tserkva.

All of the abovementioned shows that Renault Ukraine has consistent marketing and sales policy that includes market expansion in the difficult political and economic situation and relies on internal capabilities to increase gross profit margin and effectively use marketing and sales expenses and marketing mix in the middle price segment of light vehicles.

Conclusions to the Part 2

All things considered in Part 2 shows that JSC Renault Ukraine operates a business in the difficult political and economic situation on a slow growing market. As it was presented the market of new light vehicles decreased from 213.3 k units in 2013 to 97 k units in 2014 due to factors describes in PEST-analysis.

Furthermore, the most significant factors, influencing the marketing and sales activity are determined such as:

1. Increasing volumes of substitute automobile market;

2. Consumption patterns of Ukrainian population;
3. The pricing policy of the importins enterprises according to exchange rate fluctuations;
4. Daewoo-Lanos shutting down;
5. Consumption preferences of the population;
6. The rise in petrol price in 2014-2016
7. The popularization of electronic cars of other brands, etc.;

Besides, the combination of such threats affects the Renault Ukraine activity:

– high dependence from EUR exchange rate fluctuations that remains a significant weakness;
– threats as radical political and legislation changes after elections in 2019;
– negative structure changes in household expenses, since 2014

These factors and many others were classified in PEST-analysis, as well as their characteristics that were well presented, as well as the especial emphasis was made on the cause-effect influencing factors.

Moreover, the structural change in the imported vehicles market occurred. There are two companies that left the market: Geely and ZAZ. At the same time, Hyundai significantly reduce sales activity in Ukraine and left the list of market leaders.

In addition, analysis of marketing expenses of JSC Renault Ukraine shows that the company should significantly increase sales and marketing expenses in 2015. It means that the company started the aggressive marketing strategy in order to increase the volume of sales in crisis and post-crisis years. The increase probable positive effect of such a decision was offsetted by another external factor – increasing of semi-legal import of used auto that started in 2017.

The analysis of the abnormal increase of semi-legal import of used autos shows that potential consumers should look for an alternative cheaper way to supply the demand on the cars in the situation of reduction of purchasing power. It affected the market of legal import of cars by official distributors and increased the pressure of substitute market on official distributors. The pressure of the substitute market includes the next factors: customer flow in short- and medium-term, increasing volumes of used imported autos turnover on the market, etc.

JSC Renault Ukraine responded to this negative factor by increasing on 6% of marking expenses per 1 auto but the company should close the program of holding price low due significant Net profit decrease up to 375 kEUR (Table 1.3) that is one of the lowest for the analyzed period.

The analysis of the dealer of network shows that the company is presented in oblast centers and some other cities. Despite this wide network, the company has a slow level of sales volume growth and cannot be competitive to the substitute market.

As it was presented in Figure 2.2. the company lost sales volumes in the amount of 9,366 units in 2017, 12,771 units in 2018 and 15,032 in Jan-May 2019. It means that the existing 4P's mix is ineffective in part of placement, price and product and the existing network is ineffective as the presented loss of sales volumes is a significant amount if compare with the officially imported volumes. The described situation means that not only the 4P's should be changed but also Renault Ukraine should revise a number of competitors and include to existing competitors (Toyota, Volkswagen, Skoda, etc.) small and medium entities that act as agencies that perform services of import of used car in Ukraine.

The government's decision to allow the legalization of semi-legally imported used cars increased the negative impact of substitute markets on the official light vehicle market.

In conclusion, the analyzed facts and trends show that the company should improve sales and marketing strategy in order to be more competitive not only on the official import light vehicle market but also on the substitute market. It means the measures of developing of the new market that improves the company's sales performance. The reasons for such measure, 4P’s strategy on the developing market, logistics and competitive advantages of JSC Renault Ukraine are described in Part 3.

PART 3. SUGGESTIONS OF IMPROVEMENT OF TRADE AND MARKETING ACTIVITY OF JSC RENAULT UKRAINE

3.1. Development of measures of improvement of sales and marketing activity of JSC Renault Ukraine

Being an incorporated enterprise of French multinational automobile manufacturer, carrying out its activity on the foreign market, a JSC Renault Ukraine applies the principles of the international marketing concept, adapting the controllable elements of the marketing mix to a Ukrainian market, or using the standardization strategy when it is appropriate.

The classic Cateora & Graham's definition of International marketing task is referred as "molding the controllable elements of marketing decisions (product, price, promotion, distribution, and research) within the framework of the uncontrollable elements of the marketplace (competition, politics, laws, consumer behavior, level of technology, and so forth) in such a way that marketing objectives are achieved" [54].

As seen from the definition presented above the success of the company's marketing policy on the foreign market depends immensely form the proper analysis of the marketing environment of the host country and the capabilities of the company to fit the requirements of the environmental forces.

Moreover, the environmental analysis is an obligatory starting point for developing any strategy and decision making. Analysis can generate a great deal of data and information which itself provides little direction in revealing the areas for improvements in marketing strategy.

For the effective elaboration of proposed measures for improvement volumes of sales and profitability the strategic tool, known as a TOWS analysis was performed in Annex F that permitted us to organize data and information and to uncover competitive advantages that can be leveraged in the JSC Renault Ukraine's marketing strategy.

In order to offer measures of improvement of sales and marketing activity, the TOWS analysis was made based on environmental and internal factors that were described above and presented in Annex F.

Thus, according to the TOWS analysis presented in Annex F the main directions of improvement are based on Strength and Weaknesses that we recovered in the analytical part of this study. As a rule, the weaknesses are factors that are important but in which the organization is currently performing badly. Because of this, the organization needs to concentrate on strengthening these factors. Strengths are factors in which the business is already strong but in which it needs to maintain its strengths and ensure that performance does not decline. The priority of such improvements must be measured by the forecast of qualitative results of implementation.

The complex measure that can:

- use Strengths in order to minimize Weaknesses
- use Opportunities to pass through Threats
- consider consumer behavior on the local market
- increase volume of sales and marginality
- increase the number of customers and accelerate market growth

is approach a market of import of used light vehicles. The next facts disclose the necessity of such a measure.

Firstly, the presented geographical coverage shown in Figure 2.3 can be considered as inefficient because it does not correspond to the demand of consumers in the regions of Ukraine. As it was studied the open sources, during 2013-2019 the company lost no less than 47,661 potential units (Annex H) that could be sold for the customers in Ukraine but was imported through intermediate specialized companies on a turnkey basis or personally from Europe, UAE, USA, etc. The abovementioned amount of imported used cars is higher than officially imported car volumes in five times.

The geographical structure of sales of imported cars for years 2013 – May 2019 is presented in Figure 3.1.

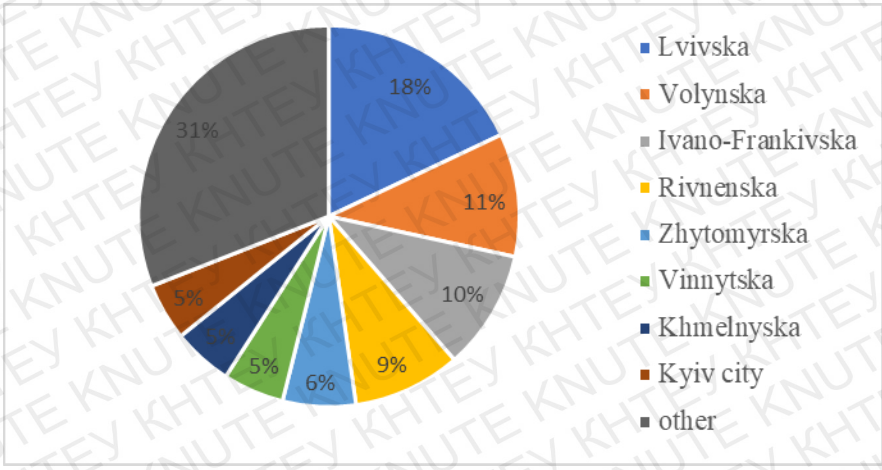


Figure 3.1 Regional structure of car registration in Ukraine (substitute for new vehicles) for years 2013-May 2019.Elaborated by the author based on [51].

As presented in Figure 3.1, the main region of the substitute market is Lvivska oblast that covers 18% of legal and semi-legal import. For example, 18% of Lvivska oblast equal 2,706 units losses of volumes of officially imported car sales during Jan-May 2019.

So, despite the presence of official dealers in Lvivska oblast the sales of Renault are inefficient due to the low level of sales.

Firstly, the structure of import by intermediary companies of Renault cars was analyzed and is presented in Figure 3.2.

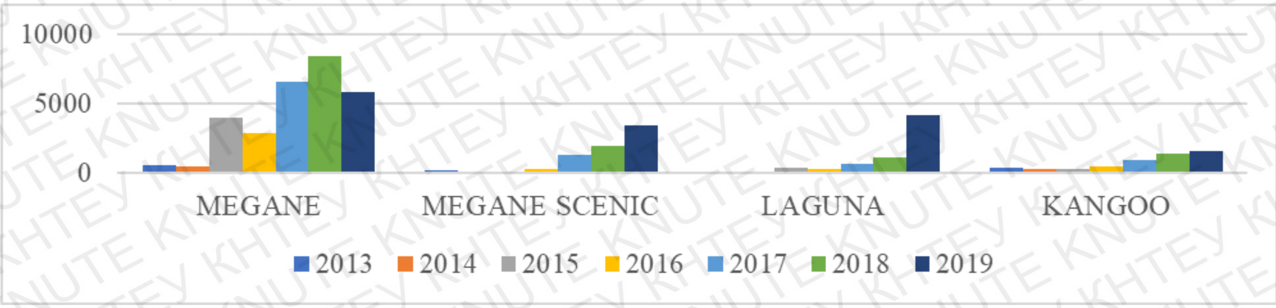


Figure 3.2. Market share of Renault models of legal and semi-legal imported cars in Ukraine (substitute market). Elaborated by the author based on [51]

As Figure 3.2 shows, the main import of used cars is presented by a high-priced segment brand – Renault Megan and Megan Scenic (Table 2.10, paragraph 2.2). Demand exists not only for cheap cars but also for high-end car of Renault and the existing pricing policy is not enough to meet the demand of Ukrainian customers.

So, the breakdown of Renault presented in Figure 3.2 shows that potential customer has enough purchasing power to bear all expenses that are connected with import: cost of the car, services of agent, custom and tax duties but refuses from the opportunity to buy a new car.

In addition, it should be considered the next factors has a significant impact of the attractiveness of West Ukraine to implement a complex measure of sales improvement:

- During 2015-2019 region has one of the largest quantities of newly established companies [39] that increase the household income of potential customers.
- As open sources reported, there are 17,8% of economically active people are employed abroad in 2018 [45]. But the exact amount of labor migration is not known. A geographical position of the west region is an additional factor that attracts people to be employed abroad (Poland, Slovakia, Hungary, Germany, etc.)

Additionally, there is a wide range of small and medium entities as snails or mushrooms farms, IT companies, etc. that export goods and services to the EU and generate foreign currency revenue.

Thirdly, the small and medium entities' income was analyzed in the Annex G. As stated in the Annex G volume of sale has a stable trend to increase each year. The expectation of revenue growth will be no less than UAH 6 bln for the next 3 years (2019-2021) in according to calculation in the Annex G. So, it can be stated that the region with small and medium entities growth and foreign currency inflow from citizens that left Ukraine is the attractive region for car selling.

Fourthly, the analysis of a theory of intensive growth shows that an intensive growth of a firm can be accomplished in three ways, namely, market penetration, market development and product development first suggested in Ansoff's model presented in Table 3.1

Table 3.1

Product-Market Matrix and Growth Strategy (after H. Igor Ansoff)

Markets/Products	Current Markets	New Markets
Current Products	**Market Penetration** (Penetrate existing markets with existing products)	**Market Development** (Enter new markets with existing products)
New Products	**Product Development** (Introduce new products in existing markets)	**Diversification** (Introduce new products in new markets)

Elaborated by the author based on [68].

Consider the abovementioned facts, the offered measure is a Market development through establishing the entities or divisions that will act as an agency on the substitute market. Such improvement is described by the proverb: "If you can't beat 'em, join 'em".

The mechanism of import of used cars is well-known. The small and medium entities offer services of car import from Europe, the USA, Saudi Arabia, the UAE, etc. on a turnkey basis. In order to be competitive on the substitute market, Renault should meet the customer demand on the level that is no less that competitors do. Renault should use a wider cycle of sales than perform competitors. The probable sales cycle is presented in Figure 3.3.

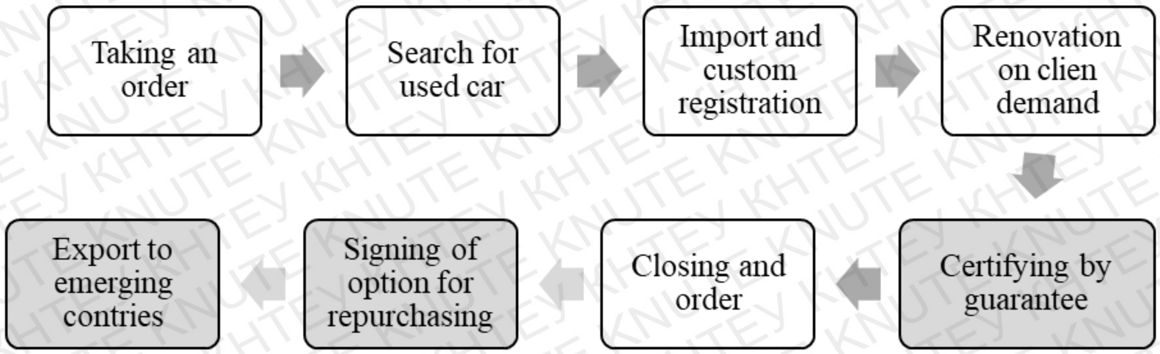


Figure 3.3. Operation cycle of a new process of sales

The white blocks represent the standard scheme of an intermediate agent, the grey blocks will be competitive advantages of Renault. Customer pays a price of purchasing, custom and other duties, fixing services (if needed) and for Renault services of searching and delivery.

Renault additionally can offer a guarantee and repurchasing services in the next options:

- Discount on some fixing services and at the official vehicle service station on the 2-3 years. In this way the company can:
  - Increase cash inflow and generate additional revenue
  - Increase a positive reputation on the local market
- Guarantee services on 3-4 years and sign an option for repurchasing of the vehicle if it will meet some technical criteria for further reselling. In this way the company can:
  - Increase cash inflow, the volume of sales and generate revenue
  - Increase a positive reputation on the local market
  - Increase the probability of car selling through the offer of discount (rebate) at the repurchased amount on:
    - A used light vehicle that could be imported
    - A new light vehicle

In the scenario when a customer uses an option, the company can sell more new cars and the repurchased car could be exported to the African countries and sold there in the last. The resale of a repurchased car is strictly needful in order to create demand on Renault car on a used light vehicle market. Only in this way customers should look for an intermediate agency that can import a car from Europe and cannot by personally a light vehicle on a car market.

In order to understand, where such measures could be implemented the geographical structure of Ukraine was analyzed and the main center (except oblast center) in West Ukraine was analyzed and the most attractive regions by the number of populations are presented in Table 3.2.

Table 3.2

The attractiveness of region by a population of the cities in 2018, person

Oblast	The probable city for the signing of a dealer/ opening of the office	Population, person			
		Town	Town administration	Region (excl. City and City administration)	Total
Lvivska	Drogobych	76,375	97,159	74,471	171,630
Lvivska	Stryi	59,099	-	61,882	120,981
Volynska	Kovel	69,089	-	40,337	109,426

Elaborated by the author based on [38].

Selected cities are one of the biggest regional centers that are not covered by the direct competitors of the official import and substitute import. Therefore, the operating activity of used car importing should be concentrated in these towns.

And the last part of the cycle of sales presented in Figure 3.3 is an export of repurchased used car abroad. In accordance with Africa Used Vehicle Report by Ariadne Baskin [56] many upper- and lower-middle income countries in Africa are attractive for reselling of used cars. Many countries mentioned in the report do not have a strict limitation of the age of the imported car. The logistic calculation of used car export to Nigeria is presented in paragraph 3.2.

In conclusion, the offered measure of market development strategy can improve the business activity of Renault and purchasing activity on the local light vehicle market. It means that the company can be competitive in the used car market but also can increase brand popularity in Ukraine and reduce car age in European countries due to removing of used cars from the European market.

Similar measures exist in other spheres, e.g. sales of new smartphones. When a customer sells out an old telephone and receives a discount on the new. The strategy is not a competitor to the current sales strategy and supports sales of a low- and medium-prices lines attracting customers to the brand. In addition, the old telephone cannot be sold on the second-hand platform as OLX and removed from further turnover.

3.2. Forecast of performance of improvement suggestions of sales and marketing activity of JSC Renault Ukraine

Any improvement of marketing policy must lead to the quantitative or qualitative changes of marketing objectives or marketing performance standards that are an inseparable element of the company getting a competitive advantage on the market.

Four Principal Marketing Objectives include:

1. To establish and defend a clear position within the market.
2. To defend and possibly increase market share.
3. To grow the market.
4. To sustain/grow levels of profitability.

These objectives can be broken down into different other marketing metrics and performance standards on different functional levels of the enterprise.

In order to measure the positive impact on sales and marketing activity, firstly, the cost of probable measure was calculated for one year:

Table 3.3

Calculation of expenses for 3 dealer centers

Type of expenses	UAH/month per 1 office	UAH/year per 3 offices
1. Rent + utilities	13,952	502,265
2. Salary	67,100	2,415,600
Sales bonus	55,556	2,000,000

3. Marketing		
Radio	1,499	35,984
Billboard	1,828	65,820
Promotional events	1,389	50,000
4. Other expenses	4,000	144,000
Total	145,324	5,213,669

Elaborated by the author based on Annex J

In Table 3.3 the total costs of business activity were calculated. It is expected that each center will have a Director (that also has a sales manager function), a Sales Manager and two Logistics experts. In addition, regional rent and utilities tariffs were analyzed, and marketing expenses were calculated. It is expected that the total expenses for 3 offices will be 2.8 mUAH (maintenance and design of the office excluded).

Secondly, the approximate sales plan was designed, and revenue was calculated in the Annex J and the result of the calculation is presented in Table 3.4

Table 3.4

Forecast of the financial result of newly established business units

	Pessimistic	Balanced	Optimistic
Revenue, EUR	214,632	886,300	4,168,128
Cost of sales, EUR	43,089	75,089	77,755
Profit, EUR	171,543	811,211	4,090,373
Net profit margin, %	80%	92%	98%

Elaborated by the author based on Annex J

As shown in Table 3.4, the Net profit is suggested even in the most pessimistic scenario. But the calculated Net profit is an interim stage of the business cycle of the newly established companies or departments. As the purpose of the measure is increasing of brand awareness (strength) the companies should calculate the provision for the option of repurchasing at the amount of 100% of net profit. The addition calculation of the probable number of repurchasing options that can be cover by the Net profit is presented in Table 3.5.

Table 3.5

Probable number of repurchasing options that can be covered

	Pessimistic	Balanced	Optimistic
The maximal amount of rebate, EUR	3,000	4,000	5,000
Maximum of repurchases options, units	57	203	818
Volumes per sales plan, units	537	1,108	3,473
Option coverage, %	11%	18%	24%

Elaborated by the author based on Annex J

As presented in 3.5, the maximal amount of rebate on the next purchase of auto defers from the scenario. Then, the Net profit from Table 3.5 was divided on the amount of maximal rebate and the quantity of probable options was found. Then the calculated quantity of options was divided on volumes of sales in accordance with sales plan in order to receive the coverage of sales by options. It means that in pessimistic scenario the maximal amount of rebate is 3,000 EUR and the Net profit in the amount of 171,543 EUR is enough to cover 57 sold cars or 11% (on the assumption if all customers could meet the terms to receive the full amount of rebate).

If the period of option is ended the company can recognize the income in another way the income should be recognized when the company resells the auto to Central or West Africa. The crude calculations were done in Annex L and the summary is presented in Table 3.6

Table 3.6

Car reselling income per unit, EUR

	9-year-old	4-years-old
The maximal EXW price for the car	2,780	6,581
The maximal amount of rebate	3,000	3,000
(Loss)/Gain	(220)	3,581

Elaborated by the author based on Annex L

As presented in Annex L, the probable country for used car export is Nigeria. The analysis of the online platform of used car sales shows that the average sales price for the 9-year-old car is 3.73 mln NGN or 9,227 EUR and for the 4-years-old car is 6.57 mln NGN or 16,265 EUR (Annex L).

After the deduction of local agent margin, Nigeria custom duties and VAT, shipment to Apapa (maritime port in Nigeria) the maximal price was found. As presented in Table 3.6, the company will receive a net loss per unit if resell 9-year-old cars at the mount of 220 EUR per unit. At the same time, the company can receive net profit at the amount of 3,581 EUR per unit at the pessimistic scenario of rebates that were described above.

The described scenario would be applicable if Renault repurchased a car that meets all technical criteria and customer receive the largest amount of possible rebate. The optimization of car shipment and sales in other countries of Africa is a theme for a separate study.

Conclusions to the Part 3

In conclusion, the offered measure is establishing of separate entity or division of Renault Ukraine in West Ukraine (Stryi, Drogobych, Kovel) that will:

- act as an agent on the substitute market and offer services of used car import (Renault) in Ukraine;
- offer discounts on fixing services in certified vehicle service centers;
- offer extended guarantee for some used imported cars;
- offer repurchasing option for used cars;
- automatic rebate for purchasing of a new car or imported used car (at the amount that equal of repurchasing option)
- resell the repurchased car to the West of Central Africa in order to:
    - be able to offer the rebate program
    - compensate rebate amount
    - stimulate customers to buy new cars in:
        - Europe. If supply the demand for used cars in Ukraine through the purchasing of cars in Europe the number of new car sales will increase in Europe due to a faster consumption period.

- Ukraine. The used car will be exported that will decrease the average age of vehicles in Ukraine. In addition, the export of used Renault cars increases the demand for used cars of the brand on the substitute market and customer numbers of newly established companies.

On the one hand, the current sales process consists of three stages “buy from the parent company – deliver a car to the dealer – sell to the customer” and it is affected factors presented in the PEST analysis. Such scheme generates revenue and creates a profit but has significant depends on negative external factors.

From the other hand, the negative external factors can be hedged on the local market through the offered scheme “sell a used car on client demand – repurchase it after 3-4 year – offer a rebate – sell a new car (or used) – export to Africa of the repurchased car”.

The described scheme will be effective due to the influence on consumer behavior before a decision of purchasing of a new car. Hedging of the volumes of sales will have the next directions:

1. In the period of economic growth, the offered measure will increase customer flow as in the sphere of selling used cars as new cars work on the brand presence on the markets (new vehicles and import used vehicles)
2. In the period of stagnation and crisis, the offered measure hedge risks of revenue reduction on the new vehicles market attracting clients to import used cars.

Moreover, the competitive advantage on the substitute market is access to financial assets for entering the market and creating a size effect (economy of scale) on the substitute market. In the offered scheme the competitors are not a well-known manufacturer it is intermediate agencies that act in Ukraine. This fact creates an ability to cooperates in the sales of Renault used cars.

CONCLUSIONS

Performing the Final qualifying paper, the announced tasks were analyzed.

Analysis of the world market shows the market leaders: Toyota – 8% and Volkswagen – 7%. Renault as a separate brand has a world market share of 2% while alliance Renault-Nissan-Mitsubishi increases the share by up to 8% of world sales. In addition, companies use different strategies in manufacturing placement. Toyota allocates plants all over the world while alliance Renault-Nissan-Mitsubishi has a more complex structure and allocates manufacturing facilities in regions of brand origin.

Moreover, companies create not only alliances but also big groups as Volkswagen Concern that includes different brands as Volkswagen, Audi, Bugatti, Lamborghini, Skoda, etc.

Moreover, the geographical structure of the world market was analyzed, and it can be concluded that Ukraine as a part of the region "CIS (+Ukraine and Georgia)" is an insignificant market player on the world market. The study shows that CIS countries and Ukraine are net importers. It means that the region does not have enough manufacturing facilities to produce cars and countries should import automobiles from other regions. Main production facilities allocated in Russia and controlled by brand AvtoVAZ that was bought by Renault Group in 2016.

At the same time, the analysis of JSC Renault Ukraine was performed. It was studied that the company is a 100% subsidiary of Renault S.A.S (France) and represents the last in Ukraine. Financial and economic analysis shows, that the company has a significant decrease in marginality due to external factors and needed additional financing from the parent company. In order to challenge effects of external factors, the company implement a policy of keeping price low consuming Gross profit margin and increased Marketing and Distribution expenses for 2015-

2017 years that gave a positive result in 2018 financial year and increased volume of sales and the level of revenue for 2018 was higher than in 2013 (before crisis).

The external factors that affected the business activity of JSC Renault Ukraine were classified by PEST-analysis and their impact is presented in Table 2.1. The Political factors presented in PEST-analysis led to the decrease of consumer power that was an Economic factor response to political instability. Additionally, the EUR currency exchange rate and consumer price index were analyzed. It shows a numerical measure of Economic factors in PEST-analysis and a negative impact on JSC Renault Ukraine activity.

Described negative factors and their impact led to a crisis in the new light vehicle market. Decreasing in household income make people look for a cheaper way to satisfy demand on a light vehicle. Due to alternative interpretation of the law that regulates custom regime “permanent import”, people illegally or semi-legally imported used vehicles in Ukraine that caused additional pressure on official distributors of an auto. The situation of import of used auto was regulated by the government making people to legalize imported vehicles.

Moreover, negative factors had an influence on the local structure of the new light vehicle market. After the beginning of the crisis, Geely closed its business activity in Ukraine, sales of ZAZ and Hyundai significantly decreased. Toyota and Renault became market leaders and together hold 23% of official sales in Ukraine. Despite changes in structure abovementioned companies cannot rise the volume of sales by the level of 2013 (before the crisis).

In order to challenge the crisis period on the market JSC Renault Ukraine attract additional financial sources from the parent company and started an active marketing campaign. It is not only a crisis period but also a period of opportunity to increase market share on the local market due to the closing of business by Geely and reducing by ZAZ.

On the one hand, the calculation of Revenue and Gross profit per unit shows that

The company used significant efforts to increase volumes of sales performing holding price policy. But on the other hand, the volume of sales increased from 5.3 ths. units in 2014 to 8.7 ths. units in 2018 that are in line with market share growth from 5% in 2014 to 11% in 2018.

Despite the positive revenue trend, the analysis of 4P's marketing mix shows inefficiency. The net of dealers (placement) was analyzed and concluded that regional presence of dealers and current products cannot satisfy customers' demand. This situation allows us to offer improvement measures to develop a local market for used cars.

The offered improvement measure is an establishing of intermediate agencies in West Ukraine that will sell used imported cars. This measure is strongly recommended due to the direct loss of used car import from Europe. Establishing new entities is a part of the new sales cycle that is more complex than exists now and includes not only a current competitor offer "car import on a turnkey basis" but also an extended guarantee and a repurchased option. Such sales process without repurchases option is a profitable business as in the pessimistic as in optimistic scenario and increase brand presence in Ukraine.

In order to cover expenses on implementing of repurchased option and rebates the repurchased car should be resold to Nigeria. The calculation shows that the company can cover rebate amounts or in an optimistic scenario receive a profit. Addition positive impact is removing a used car from the further turnover on the used car market and creating a demand for car import. The final positive impact is hedging of revenue and cash flow due to the purchase of a used car is a more attractive option for a customer than a new car.

In conclusion, JSC Renault Ukraine has challenged the crisis on the market and it would be recommended to use offered measure to intense its business operation and hedge the risks of Ukrainian economic.

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ANNEXES

Annex F

Table F.1

TOWS-analysis for JSC Renault Ukraine

	Opportunities	**Threats**
	1. Crisis in Ukraine made additional opportunities due to closing of business of competitors (Geely, etc). 2. Decreases in household income stimulated potential buyers to change habits and less luxury and more practical cheaper goods including automobiles. 3. Ongoing European integration. 4. Establishing of manufacturing facilities on the place of Dawoo-Lanos	1. Further decrease in purchasing power of the population and drop in income of potential buyers that lead market size reduction. 2. Changes of household spending structure in a segment of non-food expenses. 3. Increasing of substitute (not-registered cars) market due to projects of law. 4. Negotiation of competitors to establish manufacturing facilities in Ukraine

Strengths	SO – "Maxi-Maxi"	ST- "Maxi-Mini"
1. Quite stable margins and possibility to use it for marketing purposes 2. Wide target audience coverage with product assortment. 3. Wide target audience coverage with price differentials. 4. Experience and support of parent multinational company. 5. International brand image, country brand image	1. Expand the network of dealers in sub-regions 2. Design a PR-campaign of official car purchasing	1. Keep low pricing policy 2. Design a PR-campaign of official car purchasing 3. Expand line of financial products for purchasing of automobiles

continuation of Table F.1

Weaknesses	WO – "Mini-Maxi"	WT – "Mini-Mini"
1. High dependence on currency fluctuations (mainly EUR) due 100% import of automobile and spare parts. 2. Probable future decreasing of marketing budgets due to margin decrease and necessity to optimize expenses. 3. Image of a newly imported car as not a "good deal" among population. 4. Inefficient geographical coverage	1. Cooperation with competitors and creating a PR-campaign of official imported car promotion. 2. Expand the network of dealers in sub-regions	1. Expand line of financial products for purchasing of automobiles 2. Expand the network of dealers in sub-regions 3. In the middle-term implement a policy of cooperation with substitute market. 4. Implement a policy of car exchange "used for new"

Elaborated by the author

Annex H

Table H.1

Geographical structure of the first car registration in Ukraine (less new car), units

Oblast	Total	2013	2014	2015	2016	2017	2018	Jan - May 2019
Lvivska	8,563	145	164	1,003	815	2,100	2,161	2,175
Volynska	4,977	121	65	506	297	881	1,759	1,348
Ivano-Frankivska	4,842	88	107	534	445	1,275	1,370	1,023
Rivnenska	4,362	137	170	659	298	781	1,218	1,099
Zhytomyrska	2,956	22	68	152	192	628	1,124	770
Vinnytska	2,471	31	32	128	173	502	625	980
Khmelnyska	2,417	14	27	231	186	449	633	877
Kyiv city	2,314	18	19	157	206	474	563	877
Kyivska	1,885	13	21	120	160	326	431	814
Ternopilska	1,785	23	27	149	186	371	430	599
Chernivetska	1,668	7	23	222	154	254	359	649
Odeska	1,518	371	73	134	119	129	160	532
Dnipropetrovska	1,316	34	22	85	122	230	330	493
Kharkivska	943	4	13	70	83	115	217	441
Poltavska	867	20	16	72	50	117	256	336
Cherkaska	778	19	12	66	67	135	169	310
Zakarpatska	677	4	11	35	37	65	142	383
Chernihivska	610	18	6	33	33	111	182	227
Sumska	553	7	2	26	32	92	146	248
Zaporizka	553	14	3	37	42	100	126	231
Kirivihradska	424	2	3	18	24	88	116	173
Khersonska	360	13	3	52	38	33	98	123
Donetska	340	18	7	47	27	44	74	123
Mykolaivska	316	7	1	38	23	44	51	152
Luhanska	138	3	4	11	19	22	30	49

Elaborated by the author based on [51]

Table I.1

Calculation of expenses for opening of intermediate agency

Type of expenses	UAH/month per 1 office	UAH/year per 3 offices
1. Rent + utilities	13,952	502,265
2. Salary	67,100	2,415,600
Bonuses	55,556	2,000,000
3. Marketing		
Radio	1,499	35,984
Billboard	1,828	65,820
Promotional events	1,389	50,000
4. Other expenses	4,000	144,000
Total	145,324	5,213,669

Elaborated by the author based on [55, 57-61]

Table I.1 is a summary of calculation of Table that is presented below.

Rent, Security from Table I.2 was added to Water supply from Table I.3 and Electricity from Table I.4. Monthly amount was multiplied on 12 month and 3 offices. Differences in tariffs is insignificant.

Salary expenses was calculated in Table I.5. Bonuses was estimated as 2,000,000 UAH for year for 3 offices. Monthly amount was calculated as dividing of 2,000,000 UAH on 12 month and 3 offices.

Radio expenses was calculated in Tables I.6-I.9. Monthly amount was multiplied on 12 month and 3 offices. Differences in tariffs is insignificant.

Billboard expenses was calculated in Table I.10. Monthly amount was calculated as dividing of year amount on 12 month and 3 offices.

For Promotional event was established a budget at the amount of 50,000 UAH for 3 offices. It can be used in the region where sales will be lower than it was expected.

Other expenses established as 4,000 UAH per month. It can be office supplies, coffee, water, etc.

Total expenses expected at the level of 5.2 mUAH for year for 3 offices.

Table I.2

Rent and Security calculation

	UAH / month	VAT, UAH	Total for year, UAH
Rent	10,000	2,000	144,000
Security	450	90	6,480

Elaborated by the author based on [55, 59]

Table I.3

Water supply expense calculation, UAH

	UAH per 1m3 incl. VAT	**3 m3**	**Total cost year**
Water	22.6	67.8	814

Elaborated by the author based on [61]

Table I.4

Electricity expense calculation, UAH

	UAH per 1kVT/h	**500 kVT/h per month**	**Total for year**	**VAT**	**Total cost**
Electricity	2.24	1,120	13,440	2,688	16,128

Elaborated by the author based on [60]

Table I.5

Salary and social tax calculation, UAH

	Director / Sales manager	**Sales manager**	**Logistician**	**Logistician**	**Total**
Gross Salary	20,000	15,000	10,000	10,000	55,000
Social tax	4,400	3,300	2,200	2,200	12,100
Total	24,400	18,300	12,200	12,200	67,100

Elaborated by the author

Table I.6

Radio services expenses, UAH

Radio	**Timing**	**07:00-09:59**	**11:00-15:59**	**16:00-19:59**	**20:00-22:59**	**23:00-06:59**
Hit-FM	Price, 1 sec	20	16	20	16	16
Melodia	Price, 1 sec	11	9	11	9	9
	Cost per 30 sec	31	25	31	25	25
	Number of translations	2	-	2	1	-
	Total cost	62	-	62	25	-

Elaborated by the author based on [57]

Table I.7

Radio services additional options, %

Options	Nature	Additional cost
Option 1	The first and last position if adv-block	30%
Option 2	Season price in November	10%
Option 3	Season price in December	20%

Elaborated by the author based on [57]

Table I.8

Additional services calculation, UAH

	Standard cost	Standard cost + "Option 1" per day
Total cost per day	149	194
"Option 2" per day	164	180
"Option 3" per day	179	215

Elaborated by the author based on [57]

Table I.9

Radio expenses for year, UAH

	15 days per month	VAT	Total
January-October	24,585	4,917	29,502
November	2,540	508	3,049
December	2,861	572	3,433
Total for year	29,986	5,997	35,984

Elaborated by the author based on [57]

Table I.10

Billboard expenses for year, UAH

	UAH per one for month	Number of months	Total cost, UAH	VAT, UAH	Total cost + VAT, UAH
Drogobych	3,400	3	10,200	2,040	12,240
Stryi	5,000	2	10,000	2,000	12,000
Kovel	3,550	3	10,650	2,130	12,780
Road Lviv - Rava-Ruska	6,000	4	24,000	4,800	28,800
Total	17,950	x	54,850	10,970	65,820

Elaborated by the author based on [58]

Annex K

(ТОЛЬКО В ПЕЧАТНОМ ВИДЕ. ЭТО ФОРМЫ ОТЧЕТНОСТИ)

Annex L

Table L.1

Option coverage by Net profit

	Pessimistic	Balanced	Optimistic
Profit, EUR	171,543	811,211	4,090,373
Maximal amount of rebate, EUR	3,000	4,000	5,000
Maximum of repurchases options, units	57	203	818
Volumes per sales plan, units	537	1,108	3,473
Option coverage	11%	18%	24%

Elaborated by the author based on Annex I

For calculation of Table L.1 the profit was taken from Annex I and divided on the maximal amount of rebate in order to receive maximal amount of repurchases option the established companies can cover without additional financing.

The option coverage was found as Maximum of repurchases options divided on Volumes per sales plan calculated in Annex I

Table L.2

Crude determining of average price of the analogue of Renault Megan, mln NGN

	9-years-old	4-years-old
Option 1	5.90	6.50
Option 2	6.00	6.50
Option 3	1.60	6.50
Option 4	2.90	6.70
Option 5	3.00	6.50
Option 6	2.95	6.70
Average sales price	3.73	6.57

Elaborated by the author based on Figures L.1-L.6

In order to determine the crude sales price, the random 6 positions that have close characteristics to Renault Megan were taken on the site cheki.com.ng and average sales price of imported used vehicles in Nigeria were found.

Table L.3

Calculation of cost of the used car in Nigeria

	9-years-old	4-years-old
Average market price, mln NGN	3.73	6.57
EUR/NGN exchange rate (on the 4-Nov-2019)	0.002477	0.002477
Sales offer in Lagos, Nigeria, EUR	9,227	16,265

Margin of reseller in Nigeria	10%	10%
Cost per 1 unit in Nigeria	8,304	14,639

Elaborated by the author based on [62].

In Table L.3 the average sales price was recalculated in EUR and the margin were subtracted. The level of margin is an assumption.

Table L.4

Determining the competitive price for reselling car, EUR

	9-years-old	4-years-old
Cost of shipment Odessa-Apapa (Nigeria)	2,202	2,202
Nigeria custom duties and VAT	3,322	5,856
Maximal EXW price for the car in Ukraine	2,780	6,581

Elaborated by the author based on [63, 65].

In Table L.4 the cost of shipment to Nigeria was found by online calculator [65] and the Nigeria custom duty is 35% + 5 % VAT [63]. The received amount was subtracted from cost per 1 unit in Nigeria (Table L.3) in order to receive EXW price in Ukraine.

Table L.5

Determining of the loss or gain per one resold car

	9-years-old	4-years-old
Maximal EXW price for the car	2,780	6,581
Maximal amount of rebate	3,000	3,000
Loss/Gain	(220)	3,581

Elaborated by the author.

In Table L.5 the EXW price was subtracted the maximal amount of rebate to understand the final result of export – Loss or Gain.

Figures for Table L.2

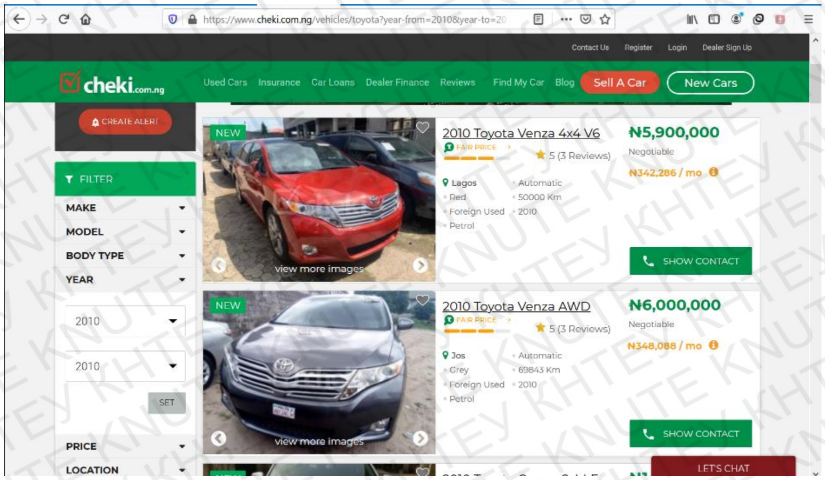

Figure L.1. Option 1-2 for 9-years-old car. Based on [64]

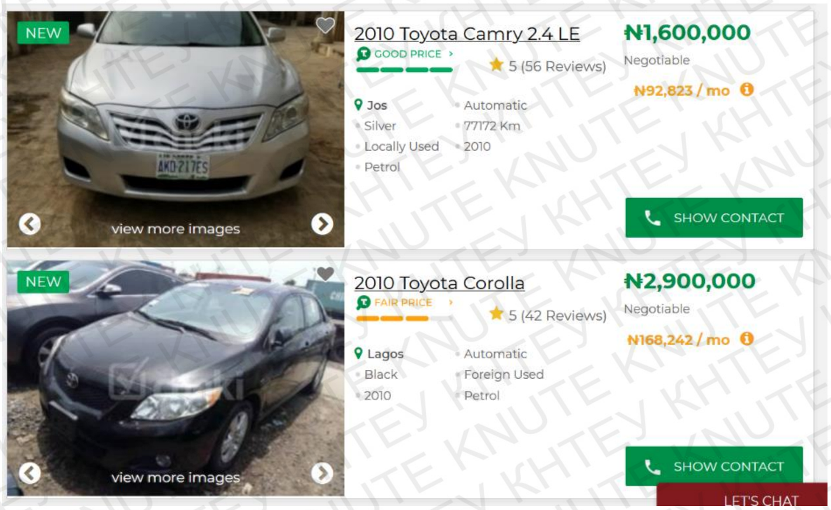

Figure L.2. Option 3-4 for 9-years-old car. Based on [64].

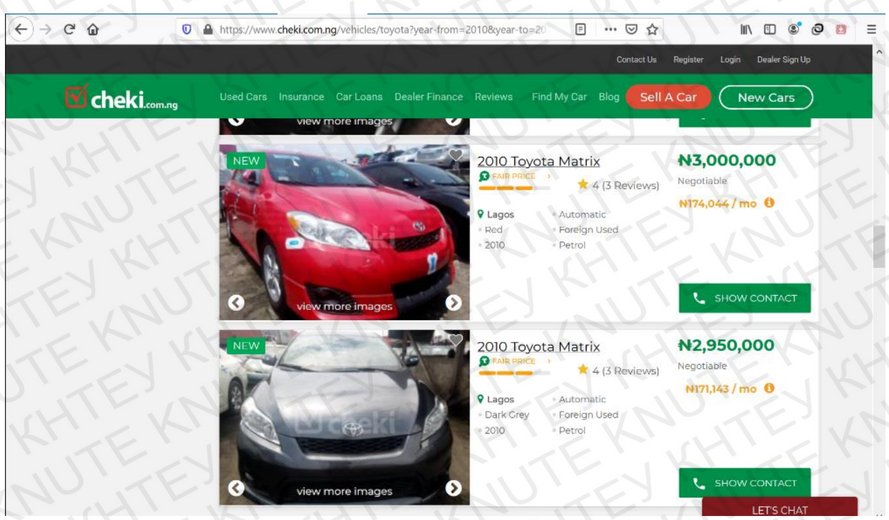

Figure L.3. Option 5-6 for 9-year-old car. Based on [64].

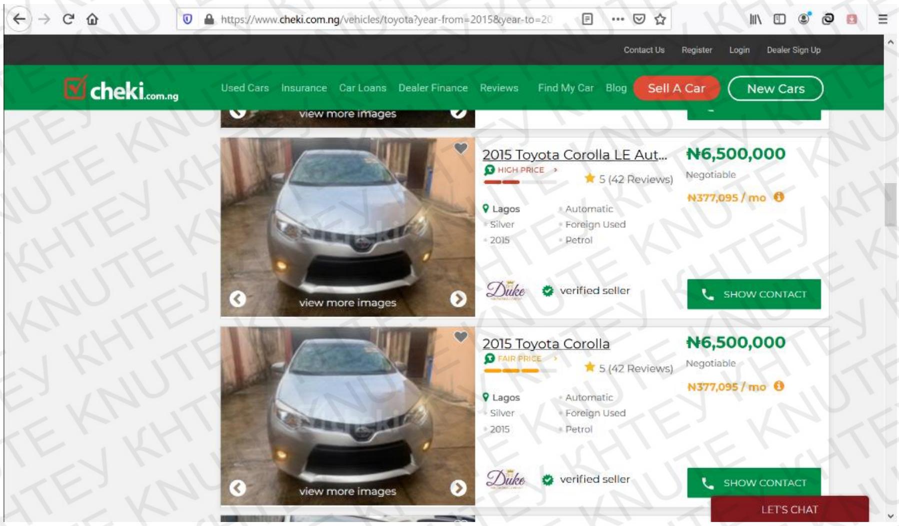

Figure L.4. Option 1-2 for 4-years-old car. Based on [64].

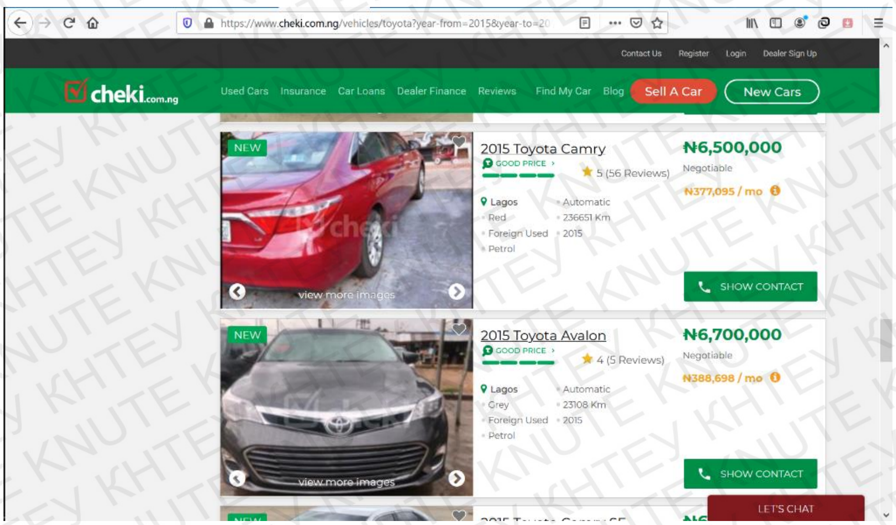

Figure L.5. Option 3-4 for 4-years-old car. Based on [64].

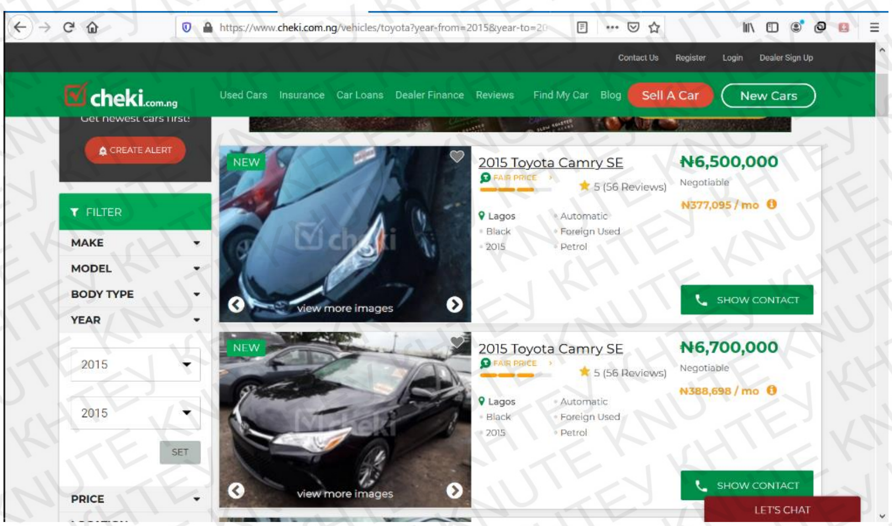

Figure L.6. Option 5-6 for 4-years-old car. Based on [64].

Annex M

Table M.1

Formulas used in Final Qualifying Paper

Ratio	Formula
Absolute deviation	$Current\ year\ amount - Past\ year\ amount$
Relative deviation	$\left(Current\ year\ amount \big/ Past\ year\ amount\right) * 100 - 100$
Gross profit margin	$(Net\ Sales - Cost\ of\ goods\ sold) \big/ Net\ sales$
Operating profit margin	$Operating\ Earnings \big/ Revenue$
Net profit margin	$Net\ income \big/ Revenue$
Current ratio	$Current\ Assets \big/ Current\ Liaibilities$
Quick ratio	$(Curent\ Assets - Inventory - Prepayed\ expenses) \big/ Current\ Liabilities$
Acid-test ratio	$Cash + Marketable\ securities + Account\ Receivables \big/ Current\ Liabilities$
Working capital	$Current\ Assets - Current\ Liabilities$
Financial independence	$Equity \big/ Liabilities$
Provision of current assets	$Cash \big/ Current\ Assets$
Capital mobility	$Cash \big/ Equity$
Shareholder Equity to Debt	$Shareholders\ equity \big/ (Long + short\ term\ liabilities)$
Debt to Shareholder Equity	$(Long + short\ term\ liabilities) \big/ Shareholders\ equity$
Debt to Assets	$(Long + short\ term\ liabilities) \big/ Total\ Assets$
Total assets turnover	$Revenue \big/ Average\ Total\ Assets$
Non-current assets turnover	$Revenue \big/ Average\ Non - current\ assets$

Current assets turnover	$\text{Revenue} / \text{Average Current assets}$

continuation of Table M.1

Inventory turnover	$\text{Revenue} / \text{Average Inventory}$
Average age of Inventory, days	$\left(\text{Average Inventory} / \text{Cost of goods sold}\right) * 365$
Account receivables turnover	$\text{Revenue} / \text{Average Account Receivables}$
Average collection period, days	$\left(\text{Average Account Receivables} / \text{Revenue}\right) * 365$
Working capital turnover	$\text{Revenue} / \text{Average Working Capital}$
Return on assets	$\text{Net Income} / \text{Average Total assets}$
Return on equity	$\text{Net Income} / \text{Average equity}$
Return on sales	$\text{Operating profit or EBIT} / \text{Revenue}$
Return on Marketing Investment	$\text{Revenue growth} - \text{Marketing expenses} / \text{Marketing expenses}$
Index of	
Depreciation	$\text{Depreciation} / \text{Initial value of Fix assets}$
Renovation	$\text{Initial value of Additions of Fix assets} / \text{Initial value of Fix assets}$
Suitability	$\text{Initial value of Fix assets} - \text{Depreciation} / \text{Initial value of Fix assets}$
Residual value to Total Assets	$\text{Residual value of Fixed assets} / \text{Total assets}$

Elaborated by the author based on [66,67]

Annex A

Table A.1

Geographical structure of the world market of light vehicles manufacturing for years 2014-2018 years, units

Country/Region	Volume of manufacturing, units					Structure			Deviation	
	2014	2015	2016	2017	2018	2014	2018	Change	Absolute 2018-2014	Relative 2018/2014
China	19,919,795	21,143,351	24,420,744	24,806,687	23,529,423	29.2%	33.1%	3.9%	3,609,628	15.3%
West and North Europe	11,864,851	12,579,561	12,962,679	12,751,310	12,098,190	17.4%	17.0%	-0.4%	233,339	1.9%
Japan	8,277,070	7,830,722	7,873,886	8,347,836	8,358,220	12.2%	11.7%	-0.5%	81,150	1.0%
Asia (excl. China, India, Japan)	5,435,588	5,515,102	5,286,842	5,134,266	5,098,297	8.0%	7.2%	-0.8%	-337,291	-6.6%
NAFTA	7,082,340	7,019,427	6,729,582	5,691,163	5,027,675	10.4%	7.1%	-3.3%	-2,054,665	-40.9%
India	3,158,215	3,408,849	3,677,605	3,961,327	4,064,774	4.6%	5.7%	1.1%	906,559	22.3%
Central Europe, Balkans and Baltic	3,736,266	3,908,752	3,982,705	3,903,901	4,060,079	5.5%	5.7%	0.2%	323,813	8.0%
Central and South America	2,759,688	2,412,812	2,098,574	2,585,137	2,664,331	4.1%	3.7%	-0.4%	-95,357	-3.6%
Middle East	1,659,414	1,675,893	2,138,960	2,561,456	2,053,774	2.4%	2.9%	0.5%	394,360	19.2%
CIS (+Georgia and Ukraine)	2,010,613	1,428,069	1,235,753	1,516,929	1,830,856	3.0%	2.6%	-0.4%	-179,757	-9.8%
Oceania	1,704,017	1,548,200	1,620,872	1,444,337	1,578,174	2.5%	2.2%	-0.3%	-125,843	-8.0%
Africa	506,276	632,500	702,345	698,782	778,795	0.7%	1.1%	0.4%	272,519	35.0%
Total	**68,114,133**	**69,103,238**	**72,730,547**	**73,403,131**	**71,142,588**	**x**	**x**	**x**	**3,028,455**	**4.3%**

Elaborated by the author on the basis of [10]

Annex B

Table B.1

Geographical structure of the world market of light vehicles sales for years 2014-2018 years, units

Country/Region	Volume of sales, units					Structure			Deviation	
	2014	2015	2016	2017	2018	2014	2018	Change	Absolute 2018-2014	Relative 2018/2014
China	19,707,677	21,210,339	24,376,902	24,961,948	23,709,782	30.0%	34.5%	4.5%	4,002,105	16.9%
West and North Europe (incl. Spain, Portugal, Italy)	12,077,430	13,185,453	13,892,595	14,230,090	14,106,585	18.4%	20.5%	2.1%	2,029,155	14.4%
NAFTA	9,194,809	9,121,342	8,599,729	7,752,263	6,764,334	14.0%	9.9%	-4.1%	-2,430,475	-35.9%
Japan	4,699,591	4,215,889	4,146,459	4,391,100	4,391,160	7.2%	6.4%	-0.8%	-308,431	-7.0%
Central & South America	4,269,758	3,543,111	3,148,131	3,549,925	3,796,572	6.5%	5.5%	-1.0%	-473,186	-12.5%
Asia (excl. China, India, Japan)	2,463,899	2,699,210	2,742,731	2,819,522	3,487,054	3.8%	5.1%	1.3%	1,023,155	29.3%
India	2,570,736	2,772,270	2,966,637	3,227,701	3,394,756	3.9%	4.9%	1.0%	824,020	24.3%
Oceania	2,425,696	2,365,959	2,379,253	2,368,271	2,393,183	3.7%	3.5%	-0.2%	-32,513	-1.4%
Middle East	3,319,431	3,420,496	3,490,038	3,551,913	2,278,110	5.1%	3.3%	-1.8%	-1,041,321	-45.7%
CIS (+Georgia and Ukraine)	2,697,311	1,508,586	1,474,449	1,654,470	1,850,204	4.1%	2.7%	-1.4%	-847,107	-45.8%
Central Europe, Balkans and Baltic	1,027,631	1,142,228	1,310,944	1,479,356	1,578,562	1.6%	2.3%	0.7%	550,931	34.9%
Africa	1,246,318	1,142,250	979,014	862,907	919,584	1.9%	1.3%	-0.6%	-326,734	-35.5%
Total	**65,700,287**	**66,327,133**	**69,506,882**	**70,849,466**	**68,669,886**	**x**	**x**	**x**	**2,969,599**	**4.3%**

Elaborated by the author on the basis of [11]

Annex C

Table C.1

Geographical structure of deviation between manufacturing and selling

Country/Region	Units				
	2014	**2015**	**2016**	**2017**	**2018**
China	212,118	-66,988	43,842	-155,261	-180,359
West and North Europe	-212,579	-605,892	-929,916	-1,478,780	-2,008,395
Japan	3,577,479	3,614,833	3,727,427	3,956,736	3,967,060
Asia (excl. China, India, Japan)	2,971,689	2,815,892	2,544,111	2,314,744	1,611,243
NAFTA	-2,112,469	-2,101,915	-1,870,147	-2,061,100	-1,736,659
India	587,479	636,579	710,968	733,626	670,018
Central Europe, Balkans and Baltic	2,708,635	2,766,524	2,671,761	2,424,545	2,481,517
Central and South America	-1,510,070	-1,130,299	-1,049,557	-964,788	-1,132,241
Middle East	-1,660,017	-1,744,603	-1,351,078	-990,457	-224,336
CIS (+Georgia and Ukraine)	-686,698	-80,517	-238,696	-137,541	-19,348
Oceania	-721,679	-817,759	-758,381	-923,934	-815,009
Africa	-740,042	-509,750	-276,669	-164,125	-140,789

Elaborated by the author on the basis of Annex A and B

Table C.1 is calculated as volumes of manufacturing (Annex A) minus volumes of sales (Annex B) in order to present regions that export or import light vehicles.

Annex D

Table D.1

Analysis of Financial result of JSC Renault Ukraine for years 2013-2018, mUAH and mEUR

Financial figure	2013	2014	2015	2016	2017	2018	Deviation									
							Absolute					Relative				
							2014 / 2013	2015 / 2014	2016 / 2015	2017 / 2016	2018 / 2017	2014 / 2013	2015 / 2014	2016 / 2015	2017 / 2016	2018 / 2017
Revenue, mUAH	1,568	1,060	1,655	2,933	4,265	4,855	-507	594	1,278	1,333	590	68%	156%	177%	145%	114%
Net profit/ -loss, mUAH	56	-19	43	107	11	287	-75	62	64	-96	276	-33%	-230%	249%	10%	2550%
Revenue, mEUR	148	67	68	104	142	151	-80	1	35	38	9	46%	102%	152%	137%	106%
Net profit/ -loss, mEUR	5	-1	2	4	0	9	-6	3	2	-3	9	-23%	-150%	213%	10%	2380%
Net profit margin	4%	-2%	3%	4%	0%	6%	-6%	5%	1%	-4%	6%	x	x	x	x	x

Elaborated by the author on the basis of Annex K and [26]

Annex E

Table E.1

Dynamic of assets and liabilities for 2013-2018 years, mUAH

Financial figure	2013	2014	2015	2016	2017	2018	Deviation									
							Absolute					Relative				
							2014 / 2013	2015 / 2014	2016 / 2015	2017 / 2016	2018 / 2017	2014 / 2013	2015 / 2014	2016 / 2015	2017 / 2016	2018 / 2017
Fixed assets	15.3	12.1	22.0	32.6	62.6	66.0	(3)	10	11	30	3	79%	182%	148%	192%	105%
Current assets incl.	242.7	178.2	292.8	582.9	820.9	897.2	(64)	115	290	238	76	73%	164%	199%	141%	109%
Inventories	146.4	33.5	137.3	377.1	562.1	492.0	(113)	104	240	185	(70)	23%	409%	275%	149%	88%
Inventories share in Current assets, %	60%	19%	47%	65%	68%	55%	-42%	28%	18%	4%	-14%	x	x	x	x	x
Current liabilities incl.	190.1	186.2	267.5	460.9	744.2	568.7	(4)	81	193	283	(175)	98%	144%	172%	161%	76%
Trade payables for goods and services	148.6	135.7	220.9	369.4	631.6	370.9	(13)	85	149	262	(261)	91%	163%	167%	171%	59%
Trade payable share in Current liabilities, %	78%	73%	83%	80%	85%	65%	-5%	10%	-2%	5%	-20%	x	x	x	x	x

Elaborated by the author on the basis of Annex K and [26]

Table E.2

Dynamic of assets and liabilities for 2013-2018 years, mUAH

Financial figure	2013	2014	2015	2016	2017	2018	Deviation									
							Absolute					Relative				
							2014 / 2013	2015 / 2014	2016 / 2015	2017 / 2016	2018 / 2017	2014 / 2013	2015 / 2014	2016 / 2015	2017 / 2016	2018 / 2017
Fixed assets	1.4	0.6	0.8	1.1	1.9	2.1	(1)	0	0	1	0	45%	134%	137%	163%	111%
Current assets incl.	22.0	9.3	11.2	20.5	24.5	28.3	(13)	2	9	4	4	42%	120%	184%	120%	115%
Inventories	13.3	1.7	5.2	13.3	16.8	15.5	(12)	3	8	4	(1)	13%	300%	253%	126%	92%
Inventories share in Current assets, %	60%	19%	47%	65%	68%	55%	-42%	28%	18%	4%	-14%	x	x	x	x	x
Current liabilities incl.	17.2	9.7	10.2	16.2	22.2	17.9	(0)	1	6	6	(4)	56%	105%	159%	137%	81%
Trade payables for goods and services	13.5	7.1	8.4	13.0	18.9	11.7	(0)	1	5	6	(7)	52%	119%	154%	145%	62%
Trade payable share in Current liabilities, %	78%	73%	83%	80%	85%	65%	-5%	10%	-2%	5%	-20%	x	x	x	x	x

Elaborated by the author on the basis of Annex K and [26]

Annex G

Table G.1

Volume of goods sold, and services provided of Lvivska oblast and a forecast for 2019-2020, bln.

Year	Total, UAH	Private equity (PE)		Index price (IP), %	IP cumulative change / GDP growth, %	In prices of 2017			
		UAH	% of Ukraine			Total, UAH	Change to PY, UAH	PE, UAH	Change to PY, UAH
2013	144	13	4.6	100.5	94.8	281	x	25	x
2014	166	16	5.8	124.9	94.3	323	42	31	6
2015	209	24	6.2	143.3	69.4	354	32	41	10
2016	237	31	6.4	112.4	26.1	299	(55)	39	(2)
2017	305	39	6.5	113.7	0	305	6	39	(0)
2018	x	x	x	x	3.3	315	10	40	1
2019	x	x	x	x	3.25	325	10	42	2
2020	x	x	x	x	5	346	16	44	2
2021	x	x	x	x	5	363	17	46	2

Elaborated by the author on the basis of [40-44].

Statistical data is presented in nominal value that why we resulted it to prices of 2017 – the last year that was provided by statistical database. We calculated 2018 as a resulted amount multiplied on a real GDP growth 3.3% [41] and made a forecast for 2019 on the basis of 3.25% of the real GDP growth calculated as average of the first and second quarter growth – 2.5% and 4.6% respectively [42] and consensus opinion of the Ministry of Economic development and trade of Ukraine – 2.7% [43]. For 2020-2021 we took the lowest amount of a political declaration of newly appointed government for real GDP growth – 5% [44].