

**Kyiv National University of Trade and Economics**

**Department of international economics relations**

## **FINAL QUALIFYING PAPER**

on the topic:

**“Assessment of the Enterprise Competitiveness in Foreign Markets”**

(based on the data of PJSC «Obolon», Kyiv)

Student of the 2<sup>nd</sup> year, group 5am,  
specialty 073 “Management”,  
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## **ВИПУСКНА КВАЛІФІКАЦІЙНА РОБОТА**

на тему:

**«Оцінка конкурентоспроможності підприємства на зовнішніх ринках»**

(на матеріалах ПрАТ «Оболонь», м.Київ)

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## ABSTRACT

### **Bondar A. Assessment of the enterprise competitiveness in foreign markets (on materials PJSC “Obolon”, Kyiv)**

Final qualifying paper for obtaining an educational master's degree in specialty 073 “Management”, specialization “Management of foreign economic activity”. Kyiv National University of Trade and Economics, 2018.

In the final qualifying paper, the essence of competitiveness of the enterprise and its main features are determined. The steps and means which allow the enterprises ensuring the satisfactory position in foreign markets are identified. The main competitiveness determinants in the foreign market considering modern realities are defined and systematized. The existing methodological approaches to the assessment of the company's competitiveness are presented.

The analysis of the financial position and the foreign economic activity of the PJSC “Obolon” are performed. The substantial factors of the external environment which effect on the PJSC “Obolon” competitiveness in foreign countries are identified and the assessment of the current competitive stance of the PJSC “Obolon” in foreign markets is fulfilled.

The set of measures and a strategy towards strengthening and maintaining the PJSC “Obolon” competitiveness in the current and potential export destinations on the basis of the revealed shortcomings are developed and justified.

**Key words:** assessment of the company competitiveness; company's competitiveness; competitive advantage; competitive stance; competition; internal and external determinants; foreign markets.

## АНОТАЦІЯ

### **Бондар А. Оцінка конкурентоспроможності підприємства на зовнішніх ринках (на матеріалах ПрАТ “Оболонь”)**

Випускна кваліфікаційна робота на здобуття освітнього ступеня магістра за спеціальністю 073 “Менеджмент”, спеціалізацією “Менеджмент зовнішньоекономічної діяльності”. Київський національний торговельно-економічний університет, 2018.

У випускній кваліфікаційній роботі визначено сутність конкурентоспроможності підприємства та її основні риси. Були виявлені кроки та засоби, необхідні для забезпечення задовільної позиції підприємства на зовнішніх ринках. Визначені та систематизовані основні детермінанти конкурентоспроможності на зовнішньому ринку з урахуванням сучасних реалій. Представлені існуючі методологічні підходи до оцінки конкурентоспроможності підприємства.

Проаналізовано фінансовий стан та результати зовнішньоекономічної діяльності ПрАТ «Оболонь». Були виявлені основні фактори зовнішнього середовища, що впливають на конкурентоспроможність ПрАТ “Оболонь” у зарубіжних країнах, та проведено оцінку поточної конкурентної позиції ПрАТ “Оболонь” на зовнішніх ринках.

Розроблено та обґрунтовано комплекс заходів та стратегію щодо посилення та підтримання конкурентоспроможності ПрАТ “Оболонь” на поточних та потенційних експортних напрямках, виходячи з виявлених недоліків.

**Ключові слова:** оцінка конкурентоспроможності підприємства; конкурентоспроможність компанії; конкурентна перевага; конкурентна позиція; конкуренція; внутрішні та зовнішні детермінанти; зовнішні ринки.



**SUMMARY**  
**TO THE FINAL QUALIFYING PAPER**  
**on the topic:**

**“Assessment of the enterprise competitiveness in foreign markets”**  
(on materials PJSC «Obolon», Kyiv)

Final qualifying paper: 126 pages, illustrations – 15, tables – 31, references – 108, annexes – 23.

**The object** of this research is the socio-economic relationships between the enterprise and its stakeholders in the process of forming its competitiveness in foreign markets.

**The subject** of this research is the process of the competitiveness assessment of the companies which engage in international business.

**The enterprise, on materials of which was made masters final qualifying paper** is PJSC “Obolon”, Kyiv.

**The objective of final qualifying paper** is to reveal and utilize the most appropriate theories and methods of the competitiveness assessment in the foreign markets which will enable to be made relevant managerial decisions directed towards enhancing its current level.

**The tasks of this paper are:** to explore available approaches to the essence of competitiveness of the enterprise, detect its basic features and determine the steps and means which allow the enterprises ensuring the satisfactory position in foreign markets; to systematize and define the main competitiveness determinants in modern realities; to identify and classify the methodological approaches to the assessment of the companies competitiveness and detect the pros and cons of existing methods; to evaluate the financial position of the enterprise and analyze the current results of foreign economic activity of it; to determine substantial factors of the external environment which effect on the enterprise competitiveness in foreign markets; to conduct the assessment of the current competitive stance of the enterprise in foreign countries and define which internal shortcomings should be remedied; to develop a set of measures which enable to strengthen the enterprise competitiveness in the existing and future export destinations;

to justify a strategy of maintenance the enterprise's competitiveness overseas; to forecast the financial-economic indicators after implementation of proposed measures.

**In the introduction** was substantiated an actuality of the topic, was discovered the level of topic wideness in the economic literature by domestic and foreign scientists; was explained the objective, tasks, object and subject of the research and outlined the scientific novelty and practical importance of the research. The methods which were used, as well as constitutes of information base, are also described.

**In the first part of this work** "Theoretical foundations of investigation of enterprise competitiveness in foreign markets" it was revealed that the company's competitiveness concept is multifaceted and complicated by its nature and the single approach to its essence is simply absent despite the frequent utilization and numerous researches of this issue. Relativity, dynamic nature with obvious consideration of time and spatial dimensions was defined as its the main features. Also, it was indentified the subsequent steps and instruments which allow the enterprises ensuring the satisfactory position in foreign markets. The main competitiveness determinants in the foreign market considering modern realities was defined and systematized. The existing methodological approaches to the assessment of the company's competitiveness were identified and classified.

**In the second part of this work** "The research of the competitiveness of the PJSC "Obolon" the analysis of financial-economic and foreign economic activities of the PJSC "Obolon" was made. It was found that during the research period the enterprise was in some kind of crisis situation with wavy financial results. Although, all challenges with which the company faced, it is an active player on the global market. Also, it was explored the external environment of the PJSC "Obolon" in foreign markets. The assessment of the company competitiveness which was conducted revealed that the enterprise has quite strong competitive position overseas, although it doesn't used its potential in full due to existing limitations.

**In the third part of this work** "Ways of increase competitiveness of the enterprise PJSC "Obolon" in foreign markets" the set of measures and a strategy towards strengthening and maintaining the PJSC "Obolon" competitiveness in foreign

market was developed. The projected effect of the all propositions on the financial results was calculated and it was found that their implementing is the necessity and economically justified.

**In the conclusions and proposals** was summarized all the major results which was revealed during this research and was given a proposals towards enhancing the competitiveness of the PJSC “Obolon” in foreign markets.



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## INTRODUCTION

The degree of the possibilities and readiness of the enterprises to compete under market economy conditions is determined by its competitiveness which is a quite multidimensional concept. Ultimately, this category determines the viability of the enterprise. Accordingly, for any business entity, the problem of enhancing and maintaining its competitiveness is utmost relevant. The assessment of the company competitiveness is methodologically inextricably linked to the solution of this challenge since only it enables to make managerial decisions for successful overcoming rivals.

In light of the overall globalization and numerous changes in the world economy which has occurred over the last decades, the companies start to more often choose the entering into foreign markets as a basis for their sustainable development and further growth. Despite a range of benefits which the global market offers, the enterprises which engage in the international business at the same time face with a significant number of challenges. And the main ones are the extremely fierce competition and the need to adapt to frequently absolutely different external environment of foreign countries. In such circumstances assessment of the company's competitiveness is simply vital for starting or continuing overseas operations. Hence, the urgency of this research is connected with the necessity to investigate and deepen knowledge in the area of effective assessment of the companies' competitiveness in foreign markets.

Different aspects that are related to the enterprises' competitiveness issues have been investigated by both domestic and foreign scholars and economists as M.Porter, P.J.Buckley, D.Depperu, D.Cerrato, R.Feurer, A. Ajitabh, K.Momaya, T.M.Melnik, N.O. Iksarova, et al. The issues of the competitive advantages and main determinants influencing the competitiveness of the enterprise are examined in detail by J.B. Barney, Chen Liu, Ma Hao, B.Kogut, J.Freiling, G.Pisano, Alan B.Rugman, K.Schawb, D.J. Teece and others. The works of such scientists as I. Bryzhan, A.O. Levytska, A.O. Azarova, A. Diane, F. Buquerel, etc are devoted to the issues of the company's competitiveness assessments. The study of the works of these scholars allows

discovering the scientific nature of the tasks related to the enterprise competitiveness and helping to identify issues that remain unresolved.

The main objective of this research is to reveal and utilize the most appropriate theories and methods of the competitiveness assessment in the foreign markets which will enable to be made relevant managerial decisions directed towards enhancing its current level.

In order to achieve the defined purpose, the following tasks must be performed in this research:

- to explore available approaches to the essence of competitiveness of the enterprise, detect its basic features and determine the steps and means which allow the enterprises ensuring the satisfactory position in foreign markets;
- to systematize and define the main competitiveness determinants in modern realities;
- to identify and classify the methodological approaches to the assessment of the companies competitiveness and detect the pros and cons of existing methods;
- to evaluate the financial position of the PJSC “Obolon” and analyze the current results of foreign economic activity of this enterprise;
- to determine substantial factors of the external environment which effect on the PJSC “Obolon” competitiveness in foreign markets;
- to conduct the assessment of the current competitive stance of the PJSC “Obolon” in foreign countries and define which internal shortcomings should be remedied;
- to develop a set of measures which enable to strengthen its competitiveness in the existing and future export destinations;
- to justify a strategy of maintenance the PJSC “Obolon” competitiveness overseas;
- to forecast how the proposed measures will reflects on the financial results of the PJSC “Obolon” in 2019-2021 years.

The object of this research is the socio-economic relationships between the enterprise and its stakeholders in the process of forming its competitiveness in foreign markets.

The subject of this research is the process of the competitiveness assessment of the companies which engage in international business.

During the process of this research, the dialectical method of knowledge was used in the work on literary sources, the abstract-logical method was utilized for theoretical generalizations and the formulation of conclusions, the economic-statistical methods were used during analyzing the financial results of the company, as well as during conducting the assessment of the competitiveness and forecasting the results. Graphs, tables, diagrams, etc. were used to visualize the results of the research process.

The information base of this research consists of the works of the foreign and domestic scholars and economist in the sphere of the company's competitiveness, legislative provisions of Ukraine and overseas countries, existing statistical data, publications in Internet, reference and periodical literature.

The practical value of this research work is in the developed integral index of enterprise's competitiveness exactly to the brewing companies which can be applied by PJSC "Obolon" and by other domestic and foreign breweries during the assessment competitiveness process, as well as in the proposed measures directed towards the improvement and enhancing competitive stance of the PJSC "Obolon" in foreign markets. According to the results of the final qualifying paper, the article was published: "International competitiveness of the enterprise: essence, features and main determinants" // Digest scient..stud.-K.: KNUTE, 2018.

The research consists of introduction, 3 structural parts, conclusions and proposals, 126 pages, 108 references, 31 tables, 15 illustrations, 23 annexes.



## **PART 1. THEORETICAL FOUNDATIONS OF INVESTIGATION OF ENTERPRISE COMPETITIVENESS IN FOREIGN MARKETS**

### **1.1. The Essence of Enterprise Competitiveness, its Main Features and Instruments for Ensuring Competitiveness in Foreign Markets**

Notwithstanding the fact that competitiveness is an integral part of any subject that faces competition, the emergence of the term “competitiveness” in scientific and business environment dates from the 70s of the XX century. The profound research by scholars and frequent utilization of this notion continues from the end of 80s of the previous century and are still relevant.

The concept of competitiveness is straightforward and complicated simultaneously. It is a kind of controversial question and there are a few reasons for this.

Firstly, there is no solidarity to which specifically subject or in another way to which level this term refers to. The most common approach is that is applied at three levels: national, industry and enterprise. Some scholars give an advantage to a certain level over others or even reject some type of competitiveness. For example, Paul Krugman stated that uses of this term regarding nation level are a great mistake or in his word “dangerous obsession” and “elusive notion”. His main idea that “countries do not compete with each other the way the corporations do” [79, p.34] and only enterprises are in the competitive struggle and consequently merely to them the notion “competitiveness” can be applied. And secondly, there is no one definition of competitiveness at each level.

In spite of existing discrepancies, the majority of scholars and economists who investigate the questions of competitiveness recognize all three levels, their interdependence and interrelation. The effectiveness of enterprises positively affected into the industry, in the case of the industry’s success the state also will have a good competitive position among other nations. And vice versa: if the country creates comfortable conditions for business performance and changes inside industry will be

favorable, the competitiveness of enterprise in such country and industry can be also sufficient.

There are numerous amounts of scientific studies that have been done with the purpose of defining the essence of the enterprise's competitiveness and identifying determinants that affect the success of the company. Due to the lack of a unified approach to understanding the essence of this notion, several versions of the definition of this term exist (table 1.1).

*Table 1.1*

**The View of Scholars on the Notion of “Competitiveness of the Enterprise”**

Author	Definition
A. Ajitabh, K.Momaya [92, p.93]	Competitiveness of a firm is its share in the competitive market.
Buckley et al. [44, p.176]	A firm's competitiveness means its ability to produce and sell products and services of superior quality and lower costs than its domestic and international competitors. Competitiveness is a synonymous with firm's long-run profit performance and its ability to compensate employees and provide superior returns to its owners (shareholders).
Chao-Hung, Li-Chang [92, p.93]	A firm's competitiveness is its economic strength against its rivals in the global marketplace where products, services, people and innovations move freely despite the geographical boundaries.
D'Cruz [51, p.14]	Enterprise level of competitiveness can be defined as the ability of firm to design, produce and/or market products superior to those offered by competitors, considering the price and non-price qualities.
Rainer Feurer, Kazem Chaharbaghi [63, p.58]	Competitiveness depends on shareholder and customer values, financial strength which determines the ability to act and react within the competitive environment and the potential of people and technology in implementing the necessary strategic changes.
Law J. [80]	Competitiveness is the ability of an organization to compete successfully with its commercial rivals.
Government of United Kingdom's Department of Trade and Industry [37, p.VIII]	For a firm, competitiveness is the ability to produce better than other firms the right goods or services of right quality, at the right price and the right time. It means meeting customer's needs more effectively and more efficiently than other firms.
The Irish National Competitiveness Council [77, p.5]	Competitiveness is the ability of firms to compete in markets.
International Trade Center [93 p.109]	Competitiveness is the demonstrated ability to design, produce and commercialize an offer that fully, uniquely and continuously fulfils the needs of targeted market segments, while connecting with and drawing resources from the business environment, and achieving a sustainable return on the resources employed.
Melnik T.M., Iksarova N.O. [12, p.19]	Competitiveness of an enterprise is its ability to compete with other entities over a certain period of time and in a particular market.

The majority of existing definitions have some similarities. Two of them are basic: 1) competitiveness is the ability and 2) this ability helps companies to survive in a competitive environment, to be better than rivals and properly satisfy the needs of customers. Many scholars when giving definition concentrate their attention particularly on companies' goods and services. It is simply impossible to occupy a competitive position in any market without a competitive product or service. Several authors like P.J. Buckley, R.Feurer, K. Chaharbaghi has made some focus on the financial aspect of competitiveness.

But there are a few shortcomings in some definitions and approaches. And the main one is that they not consider one extremely important issue – nowadays the competition has moved to another level. A few centuries ago, the development of international activities by economic entities was insignificant and did not dramatically exert influence on the state of the national economy and on the way the companies conducted their business.

The basis of the modern economy in the world is the process of globalization, which is a dominant tendency at our time. This process is characterized by a tremendous increase in the volume of international trade and foreign direct investment, trade liberalizations, the integration of financial and other systems. The globalization leads to changes in the main factors of production and as a result to their high mobility and cheapness to some extent [21, p.12]. Also, the process of globalization is accompanied by other processes like internationalization and transnationalization. Currently, competition is not limited by national boundaries. Even if the company does not take part in international economic relations directly, it is still part of the market where foreign companies sell their products or subsidiaries of MNC operate. That is why, at this stage of economic development, competition and competitiveness should be considered within the framework of the world economy and may be the more rational decision is to use up-to-date notion as “international competitiveness of the enterprise”.

However, from this point of view, competitiveness is not considered frequently. Although in modern literature, more and more authors from different countries use the notion of enterprise competitiveness with the word “international”. For example,



D.Depperu and D.Cerrato [52, p.10] stated that “international competitiveness can be defined as a firm’s capability to achieve higher performance than its competitors in foreign markets and preserve the conditions that sustain its higher performance also in the future”. Melnik T.M. and Iksarova N.O. [12, p.26] proposed such explanation of international competitiveness of the enterprise: “International competitiveness of the enterprise is a potential or realized ability of an economic entity to function in a relevant external environment that is based on competitive advantages and reflects its position relative to its competitors”.

Considering the existing explanations and all that was mentioned above, the definition of international competitiveness of the enterprise can be presented in such way: that this is an ability of enterprise, which is functioning in global competitive environment, to create and develop products or services that, due to the available resources and their appropriate utilization, will have price and/or non-price characteristics that will be more attractive to consumers in comparison to rivals at the national and foreign markets in present and in future period.

Among all the features of competitiveness, some of them are the most significant. First of all, competitiveness is a relative concept – this means that the company’s competitiveness based only on a comparison with other enterprises that produce or provide similar goods or services. Other point, that competitiveness of the company is not a constant concept, it has dynamic nature and time determination is extremely important. This is because the external and internal environment of each enterprise is unstable, always changing, so the company may be succeeded today, but earlier it could have been inefficient and, perhaps, in the long run, it will have no chance to survive due to some drastic changes. Another moment that also plays a critical role in process of defining competitiveness is a spatial dimension or in other words the place where the company operates.

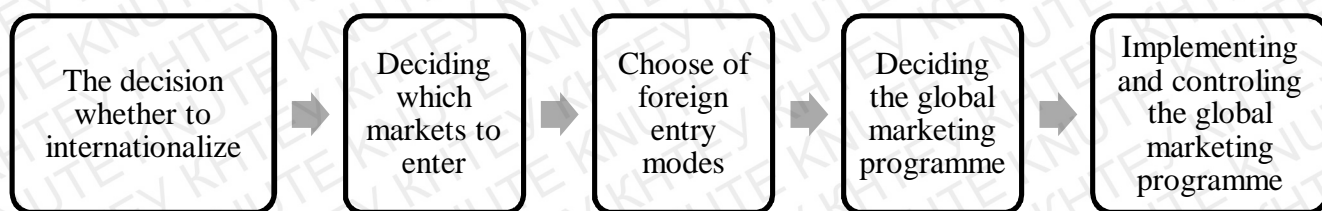
Strategic planning is essential for company’s successful activity and is defined as “the process of developing and maintaining a strategic fit between the organization’s goals and capabilities and its changing marketing opportunities” [78, p.38]. The core element among instruments that help enterprises to gain a foothold in foreign countries

in the long-term period is a competitive strategy which is one of the elements of overall company's strategic management system. Nowadays several approaches to the classification of the company's competitive strategy exist in the scientific field. The most famous classifications are represented by M. Porter; I. Ansoff; P. Kotler; G.J. Hooley, J.E. Lynch and D. Jobber; A. A. Thompson and A. J. Strickland; P.F. Drucker.

Competitive strategy is a plan that characterized various approaches with which help the company will act in a specific sphere of activity in order to achieve an appropriate level of competitiveness [12, p.163-164]. It must be developed in accordance with the contemporary and anticipated conditions of the internal and external environment in order to ensure an appropriate position in foreign markets. During the creation of a competitive strategy, the company should also proceed from the current general corporate strategy; take into account the life cycle of the market, current competitive status etc.

Competitiveness is the ultimate result that fixed the availability of competitive advantages without which competitiveness is simply impossible. Competitive advantage is the characteristic by utilizing which the firm can be competitive on the market. The competitive strategy focused on the formation of competitive advantages that provide profitable stance in target markets and existing competitive advantages form the basis for competitive strategy. In turn, the implementation of rightfully chosen strategy leads to maintaining a sufficient level of competitiveness or even to increasing present level. Thus, some kind of interdependence triangle between competitive advantage, competitive strategy and competitiveness is created, where each element makes a direct impact on others and certain changes in one of them lead to modifications in remaining ones.

The company is a complex system of interrelated elements, where any managerial decision will entail the changes, implicitly or explicitly, in all structural elements, especially if it's about enterprise's desire to go internationally. If it is so, the company should go through subsequent steps which can be represented as five-stage decision model (fig.1.1). The competitive stance of the company in foreign markets directly depends on the decision taken at each of these steps.



*Fig.1.1 A five-step decision model during internationalization activity [71, p.7]*

The enterprise that conducts international activity faces with several problems mainly because of the significantly higher level of competition and due to extremely different conditions if comparing them to the home market. Thus, there are a lot of enterprises which perform business activities solely on their domestic markets. Nevertheless, the number of companies in the world that has already entered foreign markets or has a willingness to do that has risen sharply.

The reasons for a higher degree of internationalization during last decades among enterprises lie in the significant benefits that the global market gives. Risk reduction and new sales opportunities are two primary internationalization motives. The international activity provides new profitable markets, helps increase enterprise competitiveness and facilitates access to new product ideas, manufacturing innovations and the latest technology [71, p.6].

Competitiveness directly depends on the degree of productivity and efficiency of the enterprise's performance. In order to start a foreign activity, the company should be more productive initially and at the same time, participation in international activities usually leads to increased productivity. Commonly accepted assumption in scientific and business area postulates that there is a positive relationship between international involvement and company performance [69, p.387].

The numerous statistics data has shown that enterprises pursue international business have better performance than companies operating solely on domestic markets. For instance, exporting enterprises have about 5% higher productivity than companies that not participate in international trade. Another important finding is that productivity increases in both the number of markets and the number of products that are proposed to the market [23].

Also exporting firms in all sectors are not only more productive but also larger,



more capital-intensive and able to pay higher wages than non-exporting enterprises in the same sector. As the sample of EU countries, it has found that companies that have just started to export on average, about 15% more productive, 30% larger and pay 10% higher wages than non-exporting firms in the same sector [64].

Consequently, the company's decision to start foreign economic activity can provoke increasing its competitiveness but simultaneously enterprise position in foreign markets is not so obvious and the situations may be different. For instance: 1) company has simultaneously a strong competitive stance in domestic and foreign markets; 2) company has satisfactory characteristics of competitiveness in foreign countries but in domestic market it has a low market power and share; 3) an enterprise might be profitable in its home country with a large market share in it but it may have a low level of international competitiveness; 4) if the company participate in several foreign countries, it may has an excellent position in some states but in others may only be presented in order to maintain their strategic purposes.

The diversity of countries in the world leads to the necessity to make profound market research, make segmentation and targeting of states. During this stage, the enterprise should investigate conditions of its home country and, of course, of countries where the company will conduct its foreign economic activity and compare the results with the enterprise's capabilities. This step is indispensable for the company's success and plays the role of starting point for future competitiveness in foreign markets.

Choice of international entry mode is quite important due to the significant influence of the type of mode on further company's results. Thus, there are a lot of researches devoted to entry modes decision. According to the analysis of top management journals conducted by S.Werner the study of this issue ranks third place after the investigation of the global business environment and internationalization [107, p.280].

Enterprises have a variety of methods how to enter to the foreign market. It is quite hard to distinguish which alternative is the best one because there are many internal and external conditions that make an influence on such decision and it should be highlighted that enterprise may use more than one of these methods at the same time

[71, p.327]. The most widespread approach postulates that there are three primary entry modes – exporting, contractual modes and investment or hierarchical modes. Each of them is also subdivided into subspecies. Exporting mainly divided into indirect and direct export and cooperative export. Export is the most popular mode that characterized by low level of risk and commitment but the major disadvantage of it is a lack of control that may negatively affect enterprise competitiveness. The indirect export is appropriate for new manufactures and small and medium-sized enterprises (SMEs) with the limited financial resources, while direct export used by companies once they achieve initial contact with a foreign market [48, p.190].

Contractual entry modes include licensing, franchising, management contracts, turnkey contracts, joint ventures and technical know-how arrangements. This method of entry into the foreign market is also called “intermediary” due to that this type is combining features of both export and hierarchical modes.

Hierarchical modes have the highest degree of involvement in foreign activity because the main feature of this type of entry is the physical and the constant presence of the international business in foreign markets by making investment [72, p.141]. There are two possibilities to establish subsidiary (fully or partly owned) or branch in foreign markets – through acquisitions of already existing companies (brownfield investment) or by founding the absolutely new company (greenfield investment).

Mergers and acquisitions, as one of the types of investment entry mode, merit special attention, because it can be also simultaneously defined as one of the tools for ensuring competitiveness in the relevant segments of the global market. Transnational corporations (TNCs) actively take participation in mergers and acquisition operations which are used to strengthening own competitive positions, while the resources for organic growth are exhausted. The main result of mergers and acquisitions is the redistribution of market segments of operating companies through consolidation of individual independent firms [6, p.205].

Both large and small and medium-sized companies engage in international business. A size of the enterprise has a direct impact on competitiveness due to various possibilities of companies of different size. TNCs are the major and most powerful

players in the world stage today with a high degree of competitiveness. They use various instruments to be more competitive in different markets that are not available for SMEs. TNCs located their production in places, where resources are more affordable and cheaper, use the scale effect, and broadly use tax planning. All these measures increase their competitiveness in comparison to other enterprises because they notably help in reducing the costs. It is easier for them to access foreign markets, as they usually have their own wide distribution network and have larger financial resources which are mainly been spent on research and development activities which consequently positively bearing on company's results. The utilization of all these instruments that help increase competitive stance became possible because of chosen investment entry mode.

Due to power and ample opportunities, TNCs change the market situation vastly, crowding out or absorbing SMEs from the market through mergers and acquisition process. And with the beginning of globalization, the number and the sum of cross-border acquisitions have grown to the tremendous scale that in some cases led to a very close form of worldwide oligopoly. In such circumstances, SMEs have to go international in order to remain competitive [46, p.619] and protect their place on the market. Nowadays a process towards the enhanced participation of SMEs in the international business relations co-exists contemporaneously with the transnationalization process. The main drivers that facilitate SMEs to perform operations with foreign countries actively are flourishing of IT sector, progressive development of telecommunication networks and E-commerce.

The major activity during the next stage after deciding which foreign markets to select and how to enter on them is profound designing of global marketing mix which plays a role of the tactical instrument of company's strategy. Generally accepted marketing mix comprises four elements as product, price, place and promotion. According to Philip Kotler [78, p. 51-52], the author of this 4P's approach, the marketing mix consists of marketing tools blended into an integrated marketing program that actually delivers the intended value to target customers.

Since a company enters the market with commodities or services and actually,



competition occurs basically not between companies but between competitive products, the basis of company competitiveness lies in the enterprise's goods or services. Competitiveness of goods (services) is a priority component in the system of international competitiveness of the enterprise. Therefore, all the measures for managing a company's competitiveness are ultimately aimed at increasing the attractiveness of the goods or services. Simultaneously, the success of a particular product depends besides the priority factors like quality and price also hinges from the appraisal of the company's image by customers. Consequently, development of a marketing mix program to each target countries is essential for company success in foreign markets because of substantial differences between the needs and possibilities of overseas consumers. Each decision from packaging to the price of the product determines subsequently level of competitiveness. Besides the direct development of marketing program, managers should also determine the degree to which they should standardize or adapt their global marketing mix and each element of this mix. There are several pros and cons for each decision and mainly it depends from the type of products/services that the company will present in foreign states, from financial capabilities of enterprise and from the degree of differences between countries.

Development of the marketing mix begins with product policy because it defines all managerial decisions connected with other elements of 4P's. There are a number of questions that should be considered in this respect. Such policy includes information about which range of products must be introduced to different markets, which core benefits and functional features must be presented in those products, should the company develop absolutely new products for foreign economies or it will be enough to make only some modifications. Besides those questions incredibly important are the issues as what brand names to use, what packaging must be, what design to choose and what support services to propose. Modifications can be applied not only to offered external and internal characteristics of products but directly for packaging, labeling, branding even if the product itself is standardized worldwide.

Actually among four marketing mix elements, frequently the less attention devoted to price policy which in its turn is "a tactical competitive weapon" [71, p.518].

Price managerial decisions affect companies' profitability and return along with their market competitiveness [85, p.121]. When company considering pricing, it should take into account that if it sales wide range of product, for competitiveness will be positive prices that will maximize general enterprise profit but not a revenue from a particular product. Price may vary from country considering the purchasing power of the local population or may be the same worldwide; it may range from country to country because of the different stage of product life cycle. Before establishing the price, company, if it wants to receive affordable competitive stance in foreign markets, should evaluate all constitutes of the product, consumers expectation and economic conditions of these foreign markets.

Since price is regarded as one of the crucial element that directly effected on competitiveness, one of the aims of the enterprise must be lowering the costs with maintaining product quality. This purpose is quite hard to achieve but the company can try to minimize overall distribution costs. Nevertheless, the main idea of distribution policy is creating value for the customer by delivering a product to the right place and in right time. If the consumer can't obtain a desirable product by the convenient way, all enterprise's actions in other fields become meaningless. Hence, all measures that lead to the formation of well-organized overall distribution system ensure competitiveness in foreign markets.

Consumers, no matter if case about business to business (B2B) or business to consumers (B2C) transaction, during their purchasing decision mostly face with a myriad of products and services that can approximately, in the same way, satisfy their needs. In such circumstances, enterprises should to attract customer's attention and provide information about the company and benefits that it proposes. Communication policy or also known as promotion policy that composes of such elements as advertising, public relations, sales promotion, direct marketing and personal selling is intended to ensure this crucial role.

The company that engages in international business need to solve varies of the problem connecting to the communication process. Language differences, dimensions of culture (religion, education, attitudes, habits etc), economic discrepancies and legal

conditions make a significant influence on the company's successful promotion actions in foreign countries. Even if a product will be a superior quality presented by well-known brand for a reasonable price, the enterprise may fall down in the foreign country if it, for instance, incorrectly translated advertising or chose unpopular selling promotion tools.

Branding is a potent means to establish competitive advantage [53, p.4]. Branding is needed for creation strong imagine about the company in the consumer's mind. The consumer's view may be different and enterprise should make all efforts for creation positive assessment by consumers. Brand positioning generates key brand associations that "establish competitive superiority" [76, p.740]. The problem with which the exporting companies may face in foreign markets is related to the lack of brand and company's awareness. In order to remedy such shortcomings, the companies should use such instruments which help enhance the enterprises competitiveness in foreign markets as utilization of advertising and public relation tools.

Participation in foreign exhibition and trade fairs can be characterized as one of the tools of personal selling but simultaneously it plays a role of important instrument that company can use in order to improve its own performance on marketplace due to the gathering of competitive information and news about developments and trends in the industry.

Product, pricing, distribution and promotion policies must be coordinated with each other on a stage of development but during their implementation must be fullness and continuous control over demonstrated results and if it is needed corrective actions should be done timely and be useful for long-term competitiveness.

It is important to understand that enterprise competitiveness depends not only from global marketing mix success but also from company's activities in legal, financial or in other fields. For instance, all the company's endeavors directed to tailor a products or services to specific foreign market and satisfy needs of overseas consumers may be vain if enterprise not bear in mind intellectual property (IP) issues. The safeguarding of the original knowledge and creative expression of ideas "is becoming an increasingly critical element in developing and retaining competitive advantage" [91, p.102] because



in the twenty-first century namely such creations have been considered to be largely responsible for company competitiveness in the marketplace.

Among instruments that the company can utilize in order to obtain the positive effect for its competitiveness may be distinguished corporate social responsibility (CSR) initiatives. Consumers during purchasing decision, especially in highly-developed countries, increasingly take into account the enterprise's CSR. Therefore, the CSR is increasingly important to the competitiveness of enterprises [22; 38; 49] or even "is becoming a competitive necessity" [58, p.12] and consequently, the companies should not neglect to utilize of such effective instruments as CSR.

In today globalized world with openness and liberalization of world trade system, enterprises face with numerous challenges and opportunities that can be used by them in their favor or lead to their failure at all. Companies that want to be present in the market and want to have a possibility to compete in today's global environment should pay particular attention to their international competitiveness and clearly understand what competitive advantages contribute to its strengthening. Issues of the company's competitiveness are multifaceted and sophisticated. It is a multidimensional relative concept with dynamic nature that should be taking into account time and spatial determinations. Thus, the company needs to constantly make all efforts and use all available instruments that can maintain or increase the level of competitiveness on the international market because it is quite necessary for the company's feature.

## 1.2. The Main Determinants Influencing the Competitiveness of the Enterprise in Foreign Markets

Successful company's performance that can be defined as an outcome of competitiveness is influenced by a variety of determinants that differ by nature and their power. Analyzing of variables influencing the enterprise competitiveness is a necessary move to understanding reasons and possibilities of its existing and potential stance on the marketplace.

Fundamentally there are two main views (theories) on determinants of enterprise

competitiveness – industrial-based view (in some sources named also as market-based view or industrial organization model) and resource-based view.

On one side, representatives of industrial-based view determine the external environment as a basis for the enterprise to achieve competitive advantage. The most prominent representative of this approach is a Michael Porter who suggested that threats and opportunities arise from the industry in which the company operates.

On the other hand, the sources of competitive advantage lie inside of the company in the resource-based view. A firm's resources and capabilities include all of the financial, physical, human and organizational assets used by a firm to develop, manufacture, and deliver products or services to its customers [28, p.50]. Theorists of this view also state that not all resources can be useful for competitiveness. For example, J.B.Barney [28, p.56], as one of the founders of this view, suggests that to be sources of competitive advantage, resources must be: valuable, rare, inimitable and organized.

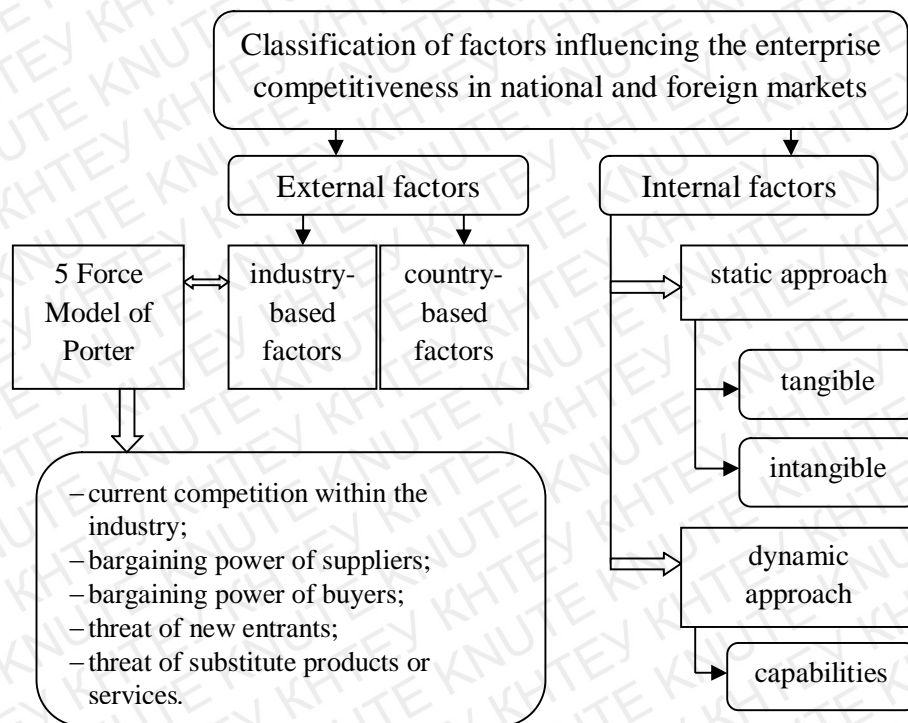
Besides the resource based-view some others approach exist that also define the internal environment as a major source of competitive advantage and argue that an enterprise has a possibility to be more competitive due to own recourses; capabilities; process that transforming available resources and due to the knowledge that company has. Such approaches are competence-based view (J.Freiling), APP-framework (Ajitabh Ambastha, K.Momaya), dynamic capabilities (D.J.Teece, G.Pisano) and knowledge-based (B.Kogut, U.Zander, R.Grant) views.

In spite of different theoretical approaches to determinants of competitiveness, companies during their activities are influenced by both external and internal factors (fig.1.2).

The important issue during consideration determinants influencing competitiveness in foreign markets is that competitiveness of companies that expand or perform their activity in overseas markets is more complicated, broader and holistic than the competitiveness of enterprise that carries on business merely within national boundaries.

That is because each foreign country is a separate place for enterprise

performance with some special characteristics which are typical only to this certain place, so in such case more variables should be taken into account. Consequently, such enterprises should investigate the factors of external and internal environment inherent to its domestic country and of each foreign market severally.



*Fig.1.2 The Scheme of Factors that Affect Enterprise Competitiveness*

*Source: designed by the author based on [52; 84]*

Internal factors are the result of the company itself and enterprise has a direct impact on them. Internal sources of competitive position can be looked at by either a static and dynamic approach – the first one focuses on resources and assets that company possesses and the second one refers to management processes that transform those assets so as to achieve performance [52, p.8]. Another name of the static and dynamic approach was proposed by Ma Hao [67], who defined division on positional and kinetic advantages. First one is static in nature and arises from ownership or access-based resources, while the second one is dynamic and is a result of the firm's knowledge, expertise, competence and capabilities.

Internal factors include the sophistication of the firm's operations and strategy, quantity and quality of production factors, technology and innovations. These factors can be divided into two main groups – tangible and intangible (table 1.2).



Table 1.2

**Classification of Internal Factors that are Making Influence on the Enterprise Competitiveness**

№	Title of internal factors		
	Intangible		Tangible
	<u>Firm-related sources</u>	<u>Employee-related sources</u>	<u>Firm-related sources</u>
1	organizational resources	strategies of the firms	physical resources
2	output-based capabilities	human resources	financial resources
3	the knowledge of the firm as a whole	managerial capabilities	functional capabilities
4	-	the knowledge of individuals	-

Source: prepared by author based on [52, p.7].

Today, intangible and knowledge-based resources are considered the most important determinants of enterprise competitiveness. Companies that want to remain in the market and have more favorable competitive position should base their activity in innovation base. N. Ma and M. Liao proposed three sources' model of enterprise competitiveness: 1) technological capability (R&D capability and manufacturing capability); 2) resource exploiting capability (technological learning, human resource); 3) managerial capability (organizational and marketing) [47, p.118].

According to the joint agency of United Nations and the World Trade Organization (WTO) – International Trade Center – among pillars of competitiveness should be highlighted capacity to connect and capacity to change [93, p.112]. In the current highly changeable world such capacities play a crucial role not only for affordable competitive stance but simply for company's survival.

External factors make a great effect on the results of the company's performance. They arise outside of enterprise and company can only adapt to conditions that these factors create.

External factors can be divided into two groups: industry-related factors (based on the Porter's theory of the Five Forces) and country-related factors (such as monetary and fiscal policy, the rule of law and the quality of social and political institutions are belonging to nation etc).

Since among basic features of competitiveness define its relativity, the competitive environment inside of industry plays a substantive role among determinants

influencing on competitiveness. Existing and possible competitors, bargaining power of buyers and suppliers, entry barriers and substitutes effect on enterprise capacity to overcome rivals. The stronger position of existing competitors, the absence or minimal obstacles for new companies to enter to the market, the limited numbers of suppliers, indirect competitors that propose attractive substitutes altogether or separately create a negative impact on the company's ability to compete successfully in foreign markets.

Investigation of external uncontrollable macroenvironmental factors, company should to start with its home country and then should to continue with deep and comprehensive market analysis of countries where it wants to work with.

Political, legal, economic, technological and socio-culture environments are constituents of the external environment which define country-related factors. All of them may promote favourable conditions for a sufficient level of competitive stance or instead substantially decrease the competitiveness of the enterprise.

The domestic state usually implicitly influences on the competitive stance of the company in other markets but nevertheless, the power of governmental activities is extensive. First of all, home country negotiates and concludes various types of agreements and treaties that define relations with other countries and through them explicitly affect the enterprise's performance. Bilateral agreements about tariffs, investments, rules of law etc, participation in World Trade Organization, involvement in different forms of the integration process and even non-economic political relationship between countries may boost or diminish competitive stance on overseas markets.

Despite years of overall liberalization, some countries, mostly world economic leaders, guide the world to so-called "trade wars" and a steady trend towards tariffs minimization is being violated. A striking testimony to this new world order can be a 25% duty on steel and a 10% duty on aluminium imposed by United States (US) against European Union in spite of WTO rules [88]. Another example is tariffs on 50 billion dollars imposed also by the US against the world's second economy – China – provoking an immediate tit-for-tat response from Beijing [94]. Such actions undermine existing "rules of the game" in the world market and they make a direct pressure on companies from countries which are under such tariffs, weakening their competitive

positions.

In the framework of agreements between WTO's members sufficient privileges that can improve enterprise competitiveness are not exist. But from bilateral agreements between countries or from the economic integration process initiated by home country, preferences conditions are created. For instance, a home state has an agreement with potential enterprise's market about the liberalization of trade conditions and minimization of tariffs particular to this country. The company in such case has more opportunities to win a competition in such market due to receiving a possibility to decrease its own price and consequently, obtain more positive evaluation from consumers. However, it is worth noting that at the same time the price, even with the improved tariffs, should correspond to the quality, which directly depends on the company's internal resources.

Participation in some form of economic integration creates a positive country-related factor with a positive result that is similar to effect that arises from bilateral trade agreements which were mentioned above. The most frequent forms of economic integration are free trade area, customs union, common market and economic union. Step by step movement from one integration stage to another leads to enhancing countries interconnectedness. Positive country-related factor creates if the home country is a member of some economic integration with the country which reflects the business interest for the enterprise.

Consequently, if the domestic state does not have bilateral economic agreements or treaties in the framework of integration with the interested state, that decrease competitive possibilities of enterprises.

Apart from signing agreements with other countries about trade conditions, tariffs, movement of the workforce or investment and the like, government of the home country can negotiate about dispute settlement or agrees about mutual concessions in the case if another state imposes baseless duties or took other discriminatory acts. Therefore, the results of governments' actions directed to solving such unfair actions of partner country will be improving the competitiveness of enterprises of the whole country or some certain industry.



Elements of the economic environment of company's home country like fluctuations of exchange rates, existing of different limitations on operations with foreign currency, revaluation or devaluation of national currency etc are also among determinants that effect on the enterprise possibility to function effectively. For instance, internal determinants of enterprise competitiveness like financial possibilities can diminish due to existing limitations that are imposed by home country and in this case, the competitive stance in external markets is worsened precisely because of the economic policy pursued by the home country.

Also home country can create special conditions that motivate enterprises to take participation in the foreign economic activity and through them improve the company's competitiveness. That is about promotional activities sponsored by the governmental organization; financial actions (for example, export credit insurance and guarantees from the domestic government); information support and export-facilitating activities.

So-known "country of origin effect" significantly affects enterprise competitiveness. The image of the country of origin is significantly important for the creation of consumer's attitudes towards the foreign product. Country-of-origin animosity or negative bias may even lead to the customer's decision to avoid purchasing a product from this country. Companies should take into account that the image of state can not only exert certain influence but can even exceed the image of the product itself that may positively or conversely negatively reflects on the level of the enterprise competitiveness.

Country-related factors of the foreign country can be defined as one of the most crucial determinants influencing enterprise competitiveness. Enterprise should provide to market highly competitive products which can be presented only if it will take into account peculiarities of overseas markets.

The reasons of modifications of the product itself, of its packaging and labeling, the adaptation of marketing efforts and brand positioning in foreign markets or even necessity of developing new products particular for customers from these markets lies in the diversity of macro environmental conditions that varies from country to country.

Managers should define and continuously monitor policies exposed by the

government of host-country, analyzes figures about its economic development, monitor changes in the legal system of foreign state and explore cultures of these nations.

Tariffs, quotas, non-tariff barriers, different administrative delays, local-content requirements etc that is exposed by the foreign country with which enterprise work or plan to do this are important elements of the political environment.

Number and structure of the population, their income, wealth and consumptions patterns, purchasing power are the key figures that enterprises should obviously take into consideration during deciding which market to enter and which product to provide to such market. If the company in initial stage neglects consistencies of the economic environment of host-country, it has a high likelihood that such enterprise leaves market very quickly.

Nowadays, in order to stay competitive in the global market, business entities must be ready to adapt to volatile changes extremely quickly. And there are numerous amounts of factors that have been changed during the last century and even last years. These changes lead to other competitive environment and some companies win from globalization and receive additional factors for their competitiveness.

One of the factors that have changed significantly is the availability of resources. Now, this is no longer a determining factor in the success of the company due to their significant mobility. The development of transport, communications and implementing new technologies in the field of transfer of information has greatly facilitated the interaction between economic entities, including between subjects of different countries and continents. Infrastructure that includes development and availability of transportation and communication systems is an important issue during consideration determinants influencing on competitiveness in the foreign market.

Language, beliefs, manners, values, attitudes, religion, education level, different social institutions and aesthetics belong to the socio-culture environment which directly influences on competitive stance in foreign markets because it makes an effect on product policy, sales practices and business negotiations. Major modifications, that performed by the international enterprise, are based basically on differences of culture and mentality.

Any international business activity starts with negotiating with different entities (private or governmental). It may be the contacts in order to open subsidiary or may be making an agreement with intermediaries who will sell the product in a foreign country or any other type of communication. On this initial stage, the company can fall down due to the lack of knowledge about traditions, appropriate ways of communicating process, special verbal and non-verbal language etc.

The right chosen slogan, brand name or advertising message enhance company attractiveness among other rivals. Nevertheless, numerous companies neglect language differences, color preferences or religious beliefs of nations and other elements of the social-culture environment and therefore, lose profitable markets.

Little distance between countries, similarity or identity of language, common religion and aesthetics, approximately equal level of economic development and friendly relationship between states creates basic conditions for company's success in the foreign markets that must be enhanced by inward possibilities of the enterprise.

One of the newest approaches to the determinants of competitiveness is based on the development of the Fourth Industrial Revolution (4IR). Klaus Schwab confirms that “the technologies that underpin the Fourth Industrial Revolution are having a major impact on businesses. 4IR is forcing companies to reexamine the way they do business. The bottom line, however, is the same: business leaders and senior executives need to understand their changing environment, challenge the assumptions of their operating teams, and relentlessly and continuously innovate” [90]. The 4IR has been affecting and will continue to change our understanding of international competitiveness [47, p.126].

Therefore, to summarizing all that was mentioned above, special attention merit the fact that the attractiveness and ability of the company to work in the markets of different countries “is a complex phenomenon, influenced by a myriad of country- and firm-specific factors” [89, p.219] but what is important to highlighted is that enterprise obtain a desirable level of competitiveness precisely of simultaneous action of this determinants.



### 1.3. Methodical Approaches to Assessment of the Enterprise Competitiveness and Analysis of Factors that Make an Effect on It

Since the time when first companies began their activity, the notion “competition” started to be an essential part during their performance. Among the significant number of definition of the notion “competition” that exists in literature, one of the most general and a complex definition was given in the OECD report [83]. According to it, competition is “a situation in a market in which firms or sellers independently strive for the patronage of buyers in order to achieve a particular business objective, e.g., profits, sales and/or market share”.

Competition is a process of constant struggle and it plays a role of the engine of a market economy. For some it is a reason for development and prosperity, for others, it is the cause of collapse and losses. All resources and efforts of enterprises are aimed to gain a profit and achieve a sustainable development. Competition is viewed as an important process by which firms are forced to become efficient. Thus, it can be defined as a key driver of competitiveness.

Competitiveness is a variable which is influenced by the various factors of different nature. Enterprise’s desire to take marketplace and to overcome its rivals must be accompanied by diversity actions which will contribute to increasing level of competitive stance. But in order to understand what the company’s weakness and threats and what activities must be done, the enterprise should performing the assessment of its competitiveness.

Due to obsolete products or services, damaged the reputation of enterprise, unqualified personnel, new strong competitor, financial difficulties or because of something else, the company in very short period can lose its competitive position. Hence, evaluating enterprise competitiveness must be continuous and be held on a regular basis.

The process of measuring the level of enterprise competitive stance is quite sophisticated because of its dependence on several groups of determinants which have a different degree of importance and power. Therefore, if the company wants to achieve

full view about its current and potential performance, assessment of competitiveness must be conducted in accordance with several principals (table 1.3).

*Table 1.3*

**General Principles of Competitiveness Assessment Process**

Principle	Essence and aims of the principle
Complexity	The process of competitiveness assessment must cover all spheres of company's activity with taking into account their interconnectedness.
Systematic	Competitiveness must be considered as bundle of factors that are closely interrelated. It is important not to focus all attention on one or only on few spheres even if competitive advantages which are key for success is created indeed in these realms.
Objectiveness	All information and statistic data must be achieved from reliable resources and must be credible. In other case making such evaluation is senseless because the main aim of this process is to achieve a solid foundation for future management decisions aimed at improving the competitive stance.
Dynamism	Assessment of competitiveness level is needed not only to understand current situation but for finding out its level if some factor or group of determinants change.
Consistency	This assessment process must be performing permanently.
Optimality	As the end goal of such evaluation is enhancing company competitive position, measures to achieving such objective must be effective and not contradict company's general strategy. Therefore, all such actions must be acceptable for enterprise and not lead to losses.

Source: created by the author based on [12, p.107-109]

As well as there is no single definition of the notion of “competitiveness”, the common methodical approach to its assessment is also absent. In particular, in the research of Bryzhan I. [3, p.11] thirty four methods were included in the summary table of existing methods that can be used to assess competitiveness and this list is not exhaustive. The diversity of criteria that should be taking during the evaluation process, variety type and size of markets, different views on determinants lead to such wide choice of methods [10, p.40].

Difficulties with calculation or with obtaining necessary information in the vast majority of methods can be defined as the most problematic point in assessing the competitiveness of an enterprise. Thus, the company must choose those methods for which it has capabilities to collect data. It is also worth noting that, in most cases, the evaluation process is accompanied by a subjective assessment, which can lead to

unreliable results.

All existing methods can be divided into special and complex methods. Special estimation of enterprise competitiveness is devoted to some specific aspect (for example, comparison of price competitiveness of company's products), while complex methods provide an opportunity to assess the level of competitiveness affected by all possible determinants. It is important to understand that special methods help companies to compare the results of the enterprise with rivals' indicators only according to some criteria and not give an overall picture of the company's perspectives.

Classification of methods of assessment of competitiveness can be made according to several features (table 1.4). Depending on the classification feature, one method can belong to different groups of methods.

*Table 1.4*

**Classification of Methods for Assessing the Competitiveness of Enterprises**

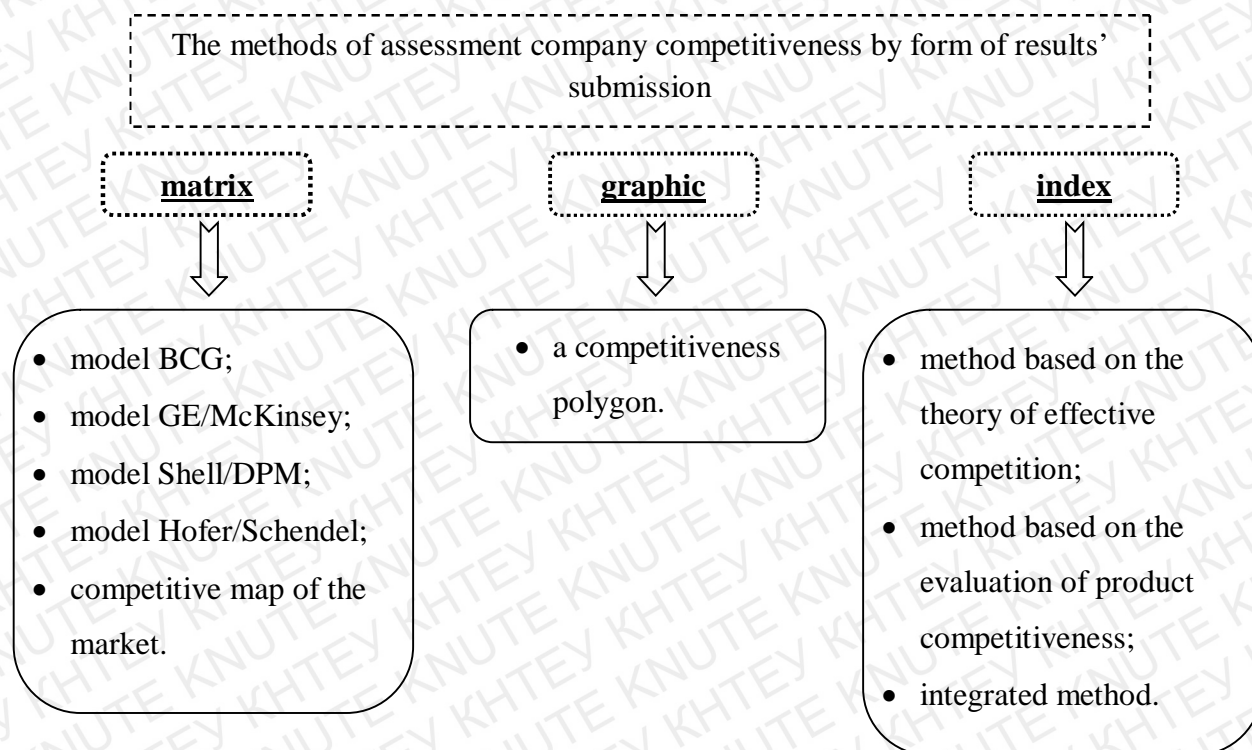
№	Feature of classification	Group of methods
1	Depending on the specific purpose of assessments	<ul style="list-style-type: none"> <li>– Positioning in a group;</li> <li>– Determine the dynamics of stance in the group;</li> <li>– Determination of competitive advantages.</li> </ul>
2	By the way of evaluation	<ul style="list-style-type: none"> <li>– Qualitative;</li> <li>– Quantitative.</li> </ul>
3	By source of information base for assessments	<ul style="list-style-type: none"> <li>– Statistic data;</li> <li>– Expert opinions.</li> </ul>

Source: [11, p. 156]

In addition to the general classification of existing methods for assessing the competitiveness of an enterprise, scientists identify certain groups of techniques, proposing to allocate from 5 to 9 major groups [11, p.157]. The key methods for assessing the enterprise competitiveness are methods based on the life cycle of the product, the market share, the theory of effective competition, the competitive advantage, the evaluation of the product's competitiveness etc.

Another division of the methods, which is not mentioned in the table 1.3, can be made by the criterion of the form of results' submission. They are matrix, graphic and index methods. Among all variety of methods, the most famous of each type of methods are represented in figure 1.3.





*Fig.1.3 Classification Scheme of the Company's Competitiveness Assessment Methods*  
*Source: designed by the author based on [12, p.111;100]*

Matrix methods allow analyzing some aspects of the enterprise's activity, the environment of its functioning, market position, etc. The main advantage of them is achieving a clear understanding of direct competitors through their grouping into strategic groups and for specific criteria. One of the most famous and frequently used methods are models that proposed by Boston Consulting Group ("BCG matrix") and McKinsey matrix.

BCG matrix is usually applied in the marketing but in competitiveness management, it also used for comparison of companies' competitive status that produces or provides similar products or services, which are oriented on different market segments.

McKinsey nine-box matrix consists of nine cells and enterprises are evaluated on two axes. It gives characteristic of long-term attractiveness of market segment and competitive position of the company. There is no definite list of factors that may an effect on each of them. But the most common criteria that are chosen for evaluating industry attractiveness are the following: long-run growth rate, industry size, industry profitability, the intensity of competition. The indicators that usually are taking into

account during the defining level of competitive strength of company are total market share, the growth of market share, brand strength, the profitability of the company, customer loyalty, level of the uniqueness of the company's products, costs and price levels etc [55].

The graphic method gives clear visualization, so managers can immediately see in which areas there are weaknesses, which should be corrected. Competitiveness polygon is the most representative example of graphics methods. For building this graph, all chosen indicators that differ by nature is normalized by transforming absolute values to relative magnitudes. The main disadvantage of this method is the impossibility to define the general value of enterprise competitiveness and doesn't provide an opportunity to take into account the level of influence of each indicator. The competitiveness polygon can be applied as for the assessment of both product and company competitiveness.

French economists (A. Diane, F. Buquerel, A. Olivier, R. Urce et al) proposed consider eight factors in order to build the polygon of competitiveness. Among them are price, quality, financial resources (own and borrowed), process and method of trade service, after sale services, external policy towards governments and publics, pre-sale preparation, concept of the goods and services on which the company's activities are based [1, p.94].

Usually, matrix and graphic methods are used in addition to the index methods. Index methods mainly, but not always, are complex and are based on comparison with rivals by the selected criteria that from different sides characterize the competitiveness of the enterprise.

Index method also can be defined as the most frequent method for assessing competitiveness. That is because they provide the possibility to perform a mathematical calculation and received indexes that are easy to compare in dynamics.

In its economic essence, the assessment of competitiveness involves defining the effect of the influence of various factors (indicators) on the final result of company performance – competitiveness. Since the main idea of such evaluation process is the identification of “blind sides” in the company's activities which reduce the possible level of competitive stance, it is necessary for the enterprise to have a possibility to spot

changes in the indicators that lead to the largest or oppositely to the least change in the overall competitiveness index.

In order to perform index method with maximum representative result, enterprise should go through such subsequent steps as: 1) deciding which companies taking into account during assessment of competitiveness, that is necessary to determine direct competitors; 2) select and justify indicators that are significant for success in particular market; 3) make a calculation of the level of importance of each of the selected coefficients based on surveys and expert assessments; 4) calculation of relative competitiveness indicators for each of the criteria and 5) measurement of the integral index.

Index method based on analyzes of comparative advantages of rivals is characterized by its relative simplicity. But the main disadvantages of it are its one-sidedness that not allows making complex conclusions about the competitive stance of the enterprise. The primary indicators of this method are production costs per unit of output, volume of profits, sales and market share.

According to the theory of effective competition, the most competitive enterprise will be that is able to in the most effective way organize the work of all company's departments. Each of divisions is influenced by numerous amounts of factors. Company should to identify and evaluate the impact of those factors and compare achieved indexes with competitor's and average industry's indexes. Besides the economic indicators like market share, also qualitative indicators as the quality of personnel or management are included during the assessment.

Methods based on the evaluation of product competitiveness are based on assumption that company competitiveness will be higher if product attractiveness is higher compared to rivals. Basically, enterprise calculates the index of quality competitiveness, total exploration charges (price plus exploitation charges) and find the total index of product competitiveness. The higher the difference between the consumers' price and the price they pay for this product, the greater the margin of competitiveness. The main shortcoming of this approach is avoidance of other constituents of enterprise that also have an effect on its competitive stance and also if



the company has diversity assortment it should apply this method to each product severally that causes inconvenience.

One of the most up-to-date approaches to assessing the enterprise competitiveness is the benchmarking. The purpose of benchmarking is to reliably determine the probability of a company's success. And variables that are taking into consideration during benchmarking are very diverse from the quality of products to distribution channels [2, p.70].

As can be understood from all the methods described above, all methods based on different criteria (indicators) which are factors that affect competitiveness. Each enterprise should independently make a choice of criteria, their optimum rate and define a share of their importance. That is because of the fact that it is simply impossible to derive a general formula for all enterprises and even for the goods of one company. It is necessary to consider the importance of each criterion for the general level of competitiveness.

The basic groups of indicators that are using during the assessment process are the availability of productive resources; provision of material, human and technical resources; system of management of the company; effectiveness of production; business activity of the enterprise and the effectiveness of the organization of sales; attractiveness of products and services; financial state of the enterprise [14, p.5-6].

Criteria that are applied during the assessment of enterprise competitiveness can be divided into positive and normative. Positive indicators reflect actual performance, while normative involve value judgments [92, p.100]. Competitiveness simultaneously can be treated as the driver of a firm's performance or an outcome of a firm's competitive advantages. In different terms, such distinction can be expressed as the difference between "ex ante" and "ex post" competitiveness [52, p.6-7].

"Ex ante" (potential) competitiveness demonstrates a capacity to compete in future and such indicators as the level of productivity, technology, prices, expenders on R&D and costs are the most useful criteria during assessment process because they sufficiently influence on future competitiveness.

"Ex post" competitiveness based on the past information as profit, number of

loyal customers, market share etc. Also, competitiveness as an outcome is measured by profitability ratios like ROI, ROA, ROS etc.

One of the most useful and available methods which can be used in assessing the company's competitiveness is a SWOT-analysis. It enable to clearly determine which internal advantages and shortcomings the company has and what the opportunities and challenges of outward factors can facilitate the further enhancing of the competitive stance of the enterprise. And its main benefit is that such method reflects constitutes of "ex post" competitiveness and simultaneously give the understanding of potential competitive stance due to the broadness of the overview which is made during the conducting of this analysis.

As enterprise productivity is very important to keep the firm competitive in today's marketplace [62, p.5] and higher productivity means improved competitiveness, defining the level of productivity is a necessary condition for the overall understanding of company's potential. Therefore, the enterprise should not neglect such a criterion during the process of choosing indicators for making the assessment of competitiveness.

Among the various evaluation criteria, the market share is probably one of the most important indicators because it directly shows the company's success in the market and companies usually tend to include this criterion into the integral index of competitiveness. And in a number of methods, it is even necessary for make assessment (for instance, in the BCG matrix or in the competitive map of the market). But what matters most is not the share itself, but its dynamics. The market share can be small (for example, if it is SMEs that often not have a physical opportunity to take a large part of the market or the exporting enterprise that sells to the foreign market small parcel of products), however, level of competitiveness of such enterprise will be high. Hence, sustainable value of market share gives a testimony of good present competitive stance and provides bases for confidence in future competitiveness. However, it basically must be used for the evaluation of "ex post" competitiveness because even the stable level of market share not guarantee the same figures in the future.

Evaluation of competitiveness of international enterprise should also take into account the number of indicators among which is international market share; return on

foreign investments; quality of international customers (such an indicator could be measured in terms of dimension, notoriety, reputation and rate of fidelity of foreign customers); brand recognition; listing in foreign stock exchange; number of international patents and trademarks; capacity of attracting skilled human resources at the international level; imitation attempts by competitors; quality of international partners; quality of management staff involved in international activities [52, p.20-21].

Therefore, defining factors that make an effect on competitiveness and evaluation of their power on enterprise performance in current and future period play important role in the process of competitiveness assessment which in turn is simply vital for successful being of the enterprise.

## **CONCLUSIONS TO THE PART I**

A constant competitive struggle between enterprises in the market economy framework which during recent decades intensified by the tendency of liberalization of world economic relations has made relatively new economic notion “competitiveness” firmly entrenched and frequently used in both scientific and business fields.

The basis of the definition of the term “enterprise competitiveness” is its ability to compete in markets via meeting customers’ needs more efficiently than other rivals. However, there is no unity among scholars about the precise definition of this notion, as well as a uniform understanding of major determinants which influence the competitiveness.

One of the significant shortcomings in existing explanations of this term is the frequent neglecting of the fact that nowadays competition is not limited by national boundaries due to globalization and widespread internationalization.

The competitiveness of the companies which engage in international business is more complicated, broader and holistic than the competitiveness of enterprise that carries on business merely within national boundaries. That is owing to the fact that besides internal determinants, the success and prosperity of the enterprise in overseas markets or conversely its falling is largely determined by the various factors that



emanate from the external environment of both domestic and foreign countries.

The companies which want to remain in the marketplace and to continue successfully compete in the current global environment should continuously make an in-depth investigation of all inward and outward determinants which alter their competitive stance and should repeatedly conduct assessment of the present (“ex post”) and potential (“ex ante”) level of competitiveness.

The number and types of competitiveness assessment methods are diverse, many of them are quite difficult to use in practice for several reasons, especially for SMEs. But nevertheless, companies have a possibility to choose and utilize the most appropriate and convenient method or even several methods simultaneously the results of which will enable to make managerial decisions which will help the companies to achieve sustainable development and to succeed in foreign markets.

## **PART 2. THE RESEARCH OF THE COMPETITIVENESS OF THE PJSC “OBOLON”**

### **2.1. Analysis of Financial-Economic and Foreign Economic Activities of the PJSC “Obolon”**

PJSC “Obolon” is the main enterprise and plant of Obolon Corporation which history started in 1980 when the first batch of beer was brewed. Since the announcement of Ukraine’s independence in 1991, all companies have been forced to adapt to the new reality of a market economy with fierce competition by going through different changes, challenges and threats. One of the first transformation with which enterprises were faced was the necessity of changes form of ownership to private one. In such new circumstances “Obolon” received privatization certificate №1 from the State Property Fund of Ukraine in 1992 becoming the first private enterprise of independent Ukraine. Since that time, enterprise has changed the type of ownership three times and the last one took place in 2017 when company start to be private joint-stock company instead of public joint-stock [70].

Nowadays PJSC “Obolon” is one of the leading companies in Ukraine among producers of beer, soft and low-alcohol drinks, which production are the main activities of the company. Moreover, according to the report of Barth-Haas Group, the world’s largest supplier of hop products and services, PJSC “Obolon” is among the 40 biggest breweries in the world [98] and is the only Eastern European company in this list.

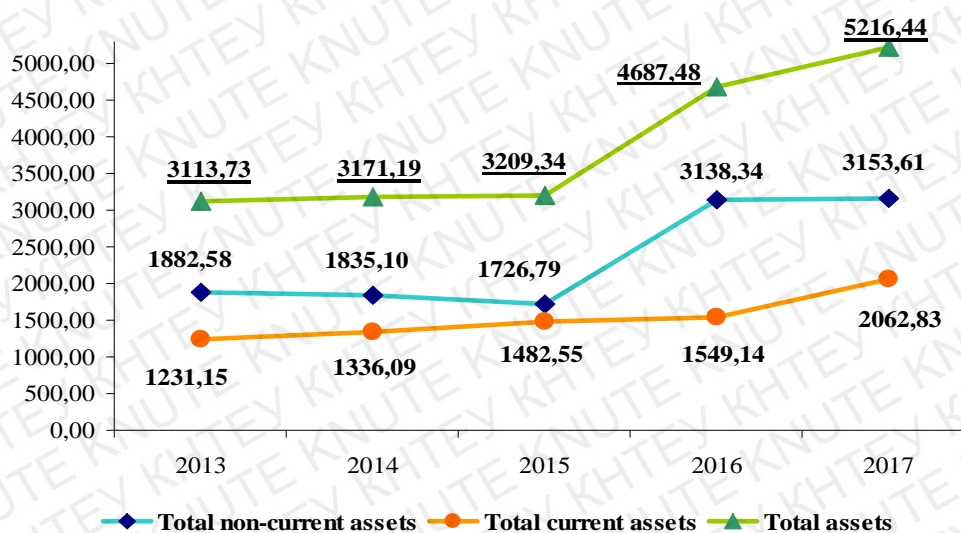
In order to receive comprehensive knowledge about the company’s achievements and results of it work including foreign economic activity, the deep research of financial data must be done.

Analysis of trends and assessment of structural changes in the assets and liabilities of the balance were conducted by forming and comparing the time series of indicators of balance items, balance sheet sections and total balance based on the financial statements of the company for 2013-2017, which are given in annexes A-F.

According to the balance sheet as at 31 December 2017, the value of assets of the



company was 5 216 440 thousand UAH (fig. 2.1) and increased by 67,5%, compared to 2013 year and in comparison with the previous year by 11,3%, which in the last year occurred mainly due to the growth of current assets, and primarily receivables. In 2017 high growth rates were also shown intangible assets (60,7%) and incomplete capital investments (60,1%), but since their share was insignificant (summarily has 2,1% of the value of assets), this didn't lead to sufficient increase of total assets.



*Fig.2.1 Dynamics of Assets of the PJSC "Obolon" in 2013-2017 Years, mln.UAH*

*Source: created by the author based on the data from Balance sheets (Annex A)*

In general, during the analyzed period, the balance sheet has an upward trend, but in 2014 and 2015 the growth rates of assets were not significant and were less than 2%.

The largest increase in the company's assets took place in 2016, when they rose in 1,46 times, comparing to the previous year. This was due to the revaluation of fixed assets which was held in accordance with the International Accounting Standards and the absolute increase of fixed assets value amounted to 1 392 539 thousand UAH.

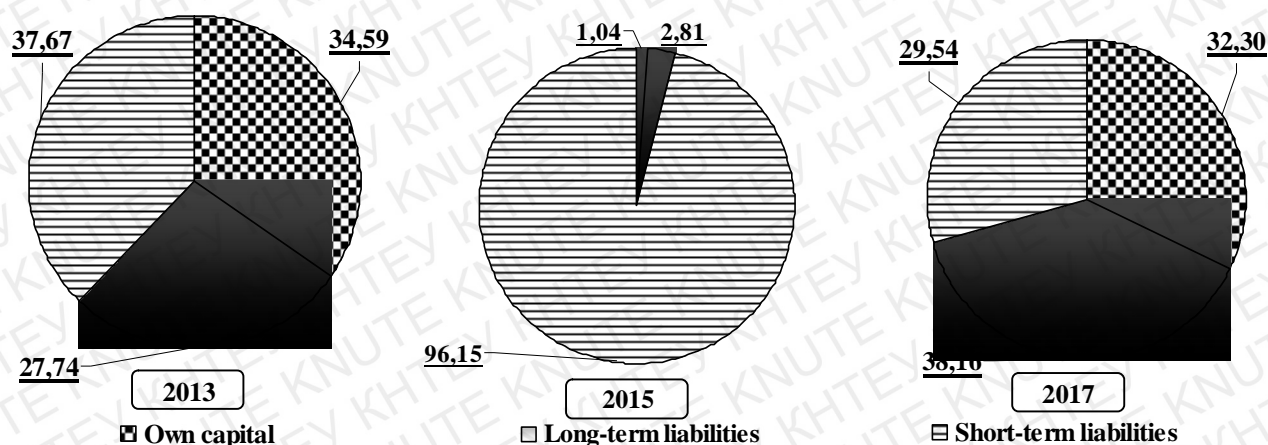
During these five years the non-current assets predominated in total assets with the average share 60,5%, and correspondingly the share of current assets was 39,5%. Such structure of assets is typical for the food processing industry and manufacturing businesses.

Almost a tenth of the company's assets (from 7,6% to 11,7%) are accounted for receivables for goods, work and services, which annually demonstrate growth. In 2017, this receivables amounted to 514 098 thousand UAH. It is 1,3 times higher than in 2016



and exceeds 2,2 times the level of 2013. Current payables for goods, work and services, which in its volume is almost 2 times higher than accounts receivable, has a similar upward trend. At the same time, the cash balance in the company's bank accounts has constantly been decreasing, the share of which in current assets in 2016-2017 was less than 1,0%. This means that the company actually gave a credit to its business partners who did not pay in time for the purchased goods. But on the other hand, if the company has reliable partners, then it should be expected the receipt of funds in subsequent periods, which should improve the situation with liquidity indicators.

In the structure of the liabilities side of the balance, the share of the shareholder equity ranged from 1,04% to 34,59% (fig.2.2). The equity capital was critically minimal in 2014-2016 when the company has suffered significant losses based on performance, and as a result, retained earnings decreased in 2014, and subsequently, this led to uncovered losses and substantial dependence on external creditors.



*Fig.2.2 The Structure of Liabilities Side of the Balance of the PJSC "Obolon" in 2013, 2015 and 2017 Years, %*

*Source: created by the author based on the Annex F*

According to the figures of the balance sheet, in 2014-2016, the company's short-term liabilities exceeded current assets by 1,4-2,1 times, and net working capital was negative, which indicates the company's inability to repay its current liabilities to creditors in a timely manner.

In such circumstances, the company was forced to attract borrowed financial resources in banks, the volume of which in 2016 was exceeded its own capital by 1,7 times. In 2017, the volume of short-term bank loans decreased by 1 836 962 thousand

UAH. At the same time, by 1 641 705 thousand UAH increased long-term loans. This indicates the minimum return of borrowings and the restructuring of most of the company's debts to banks, which led to a certain postponement in the loans' repayments.

Summing up the horizontal and vertical analysis of the balance sheet indicators, it can be concluded that the enterprise is in a precarious financial position and that the company substantial depends on external creditors.

These conclusions are confirmed by calculated liquidity, financial position and capital structure ratios which are given in table 2.1.

*Table 2.1*

**Dynamics of Liquidity/Debt and Financial Stability Ratios of the PJSC "Obolon" on 31.12.2013-31.12.2017**

№	Indicator	31.12.2013	31.12.2014	31.12.2015	31.12.2016	31.12.2017
1	Current Ratio	1,05	0,70	0,48	0,52	1,34
2	Quick Ratio	0,52	0,34	0,19	0,22	0,76
3	Cash Ratio	0,18	0,10	0,01	0,003	0,01
4	Net Working Capital, thd.UAH.	58 116,00	-563 149,00	-1 603 326,00	-1 450 031,00	521 881,00
5	Equity Ratio	0,35	0,15	0,01	0,29	0,32
6	Equity multiplier	2,89	6,76	96,29	3,50	3,10
7	Debt Ratio	0,65	0,85	0,99	0,71	0,68
8	Capitalization Ratio	0,45	0,63	0,73	0,21	0,54
9	Debt-to-equity Ratio	1,89	5,76	95,29	2,50	2,10
10	Payables/ Receivables Ratio	1,63	1,90	1,99	2,00	1,16

Source: calculated by the author, based on the Annex G, Table G.1

This table 2.1 shows that the liquidity/debt ratios has been fluctuating in the researched period and mostly mismatch optimal value. In particular, liquidity ratios indicate that the company was able to cover short-term liabilities at the expense of all current assets in 2013 and 2017, at the expense of cash assets and receivables – in 2017, and by free cash only in 2013.

Also, the indicators characterizing the capital structure do not correspond to the optimal value. In particular, the debt ratio, which indicates the proportion of a company's assets that are being financed with debt, rather than equity, with an optimal

value of less than 0,5, ranged from 0,65 to 0,99.

One more testimony of the unstable financial position of the PJSC “Obolon” is the debt-to-equity ratio, which ranged from 1,89 to 95,29. Such figures of this ratio, as well as the results of capitalization ratio, confirm the previous conclusions about the insufficient amount of own capital and heavy reliance of the enterprise on borrowed financial resources.

The equity ratio was considerably lower than the optimal value, while equity multiplier, conversely, was significantly higher than optimum, which once again affirms the company’s substantial dependence on external creditors over the past five years and especially in 2014-2016.

Estimated indicators of business activity of the enterprise are set out in table 2.2.

*Table 2.2*

**Indicators of Business Activity of the PJSC “Obolon” in 2013-2017**

№	Indicator	2013	2014	2015	2016	2017
1	Assets Turnover Ratio	0,97	1,02	1,14	0,89	0,83
2	Current Assets Turnover	2,42	2,49	2,58	2,33	2,28
3	Inventory Turnover Ratio	2,80	3,09	3,00	2,65	3,19
4	Receivable Turnover Ratio	12,64	12,53	11,22	9,00	8,92
5	Payable Turnover Ratio	4,30	4,33	3,72	3,50	3,67
6	Days Inventory Outstanding	130,28	118,21	121,47	137,63	114,41
7	Days Sales Outstanding	28,89	29,14	32,54	40,55	40,91
8	Days Payable outstanding	84,97	84,34	98,00	104,26	99,42
9	Cash Conversion Cycle	74,19	63,01	56,00	73,93	55,90

Source: calculated by the author, based on the Annex G, Table G.2

The assets turnover ratio, which demonstrates the effectiveness of using the assets of an enterprise, as well as current assets turnover, had a positive tendency to increase during the first three years of the investigated period. However, in the subsequent two years was observed a negative tendency to their decreasing, as in 2017 in comparison with 2013, the turnover of all assets decreased by 14,5%, and current assets – by 5,8%.

The fluctuations of the inventory turnover ratio had a wavy character, and its maximum value was in 2017 (3,19 turnovers per year), which indicates the rise in the inventory management efficiency during this period.

Since 2015 the receivables and payables turnover ratios have had a negative tendency to decrease, and the duration of receivables turnover in days has a constant



tendency to increase throughout the researched period and increased in 2017 by 12 days, compared to 2013.

The summarizing indicator of business activity of the enterprise – the cash conversion cycle – were fluctuating between 55,90 and 74,19 days and the best result of the length of the financial cycle was achieved in last reporting year.

The dynamics of the main indicators of financial results that the enterprise achieved for the last five years are reflected in the chart below (fig.2.3).

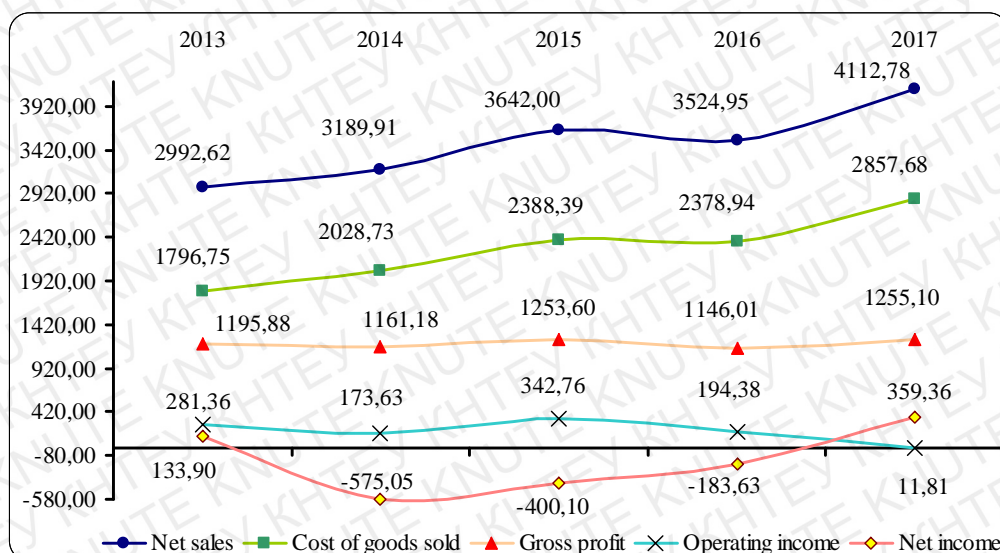


Fig.2.3 Dynamics of Main Financial Results of PJSC "Obolon" during 2013-2017 Years, mln.UAH  
Source: created by the author based on the data from Income statements (Annex B)

The graph 2.3 clearly demonstrates that during the researched period, the volume of net sales has a steady upward trend, and in 2017 they amounted to 4112,78 million UAH and increased compared to 2013 by 37,4%. The cost of goods sold also had a similar uptrend, but with the only difference that the growth rate was higher and amounted to 59,0%, which by 57,8% more than the growth of revenues from sales.

The curve of gross profit from sales is zigzag in nature, although, it fluctuates quite insignificantly. This curve shows that gross profit was minimal in 2016, but in the next year it was maximal and exceeded the level of 2013 by 5,0%.

The dynamics of the company's net income shows a sharp drop in 2014 when the loss was 575,05 million UAH. During the next two years the enterprise also received losses, although they were decreasing and in 2017 the company started again generate profit for the first time since 2013 and the increased compared to the 2013 by 27,7%.

Evaluation of the effectiveness of the use of equity capital, assets and business results of the company was carried out on the basis of the indicators which are reflected in table 2.3.

*Table 2.3*

**Dynamics of Profitability Ratios of PJSC “Obolon” in 2013-2017, %**

№	Indicator	2013	2014	2015	2016	2017
1	Return On Equity (ROE)	12,43	-122,63	-1 200,43	-13,70	21,33
2	Return On Assets (ROA)	4,35	-18,30	-12,54	-4,65	7,26
3	Gross profit margin	39,96	36,40	34,42	32,51	30,52
4	Operating profit margin	9,40	5,44	9,41	5,51	0,29
5	Net profit margin	4,47	-18,03	-10,99	-5,21	8,74

Source: calculated by the author, based on the Annex G, Table G.2

The table 2.3 shows that the sale of products was cost-effective for five years, although, in dynamics there was a negative trend to reduce its level of profitability from 39,96% in 2013 to 30,52% in 2017.

The indicators of return on equity and assets, as well as net profit margin, were negative during 2014-2016, but in 2017 they significantly improved and even they almost doubled in comparison to the level of the base 2013 year, which may indicate the overcoming the crisis situation and resumption of economically efficient activity.

The financial results of the PJSC “Obolon” are reflecting the overall problematic situation in the Ukrainian brewing industry. Incomplete use of production capacity and a gradual slump of production volumes began in 2008 (see the graph in the Annex H). However, the crisis peak in this industry has been observed precisely in the last years that was owing to several factors of diverse nature. The basic among these factors are the following: the complete loss of the market in certain territories of Ukraine, the general reduction in purchasing power of domestic buyers which in its turn directly led to declines in demand on the beer as well as the introduction a number of legislative changes concerning continues increase of the excise duties. Consequently, summarizing the results of the analysis of the financial statements of PJSC “Obolon”, it is worth noting that the political, legal and economic instability in Ukraine has adversely affected the economic efficiency and financial position of the enterprise.

Foreign economic activity of company started in 1989 year by the supply of



“Zhiguli Beer” to United Kingdom. Since 1991 year product assortment and export destinations continuously expand. Nowadays goods produced by PJSC “Obolon” are sold on five continents.

The main group of products that are sold in foreign countries is drinks (beer, mineral water, soft and low-alcohol drinks) of different trade names which bring bulk of the income from export operations. Besides this, non-drink products are also been exported, among which barley malt plays the key role. But of course, the PJSC “Obolon” is, first of all, beer producer and correspondingly the leader exporting product of PJSC “Obolon” is the beer. In the category of drinks, during 2012-2017 the beer generated more than 90% (in 2017 – 95,3%) of export incomes. In overall earnings from abroad, its share for last 5 years decreased from 98,2% in 2013 to 61,4% in 2017 (fig.2.4) owing to the beginning of barley malt shipments. It is important to emphasize that company has started to sell abroad barley malt only four years ago and its share in total net sales from export continuously growth and expanded from approximately 10,6% in 2014 to 35,5% in 2017 (fig.2.4).

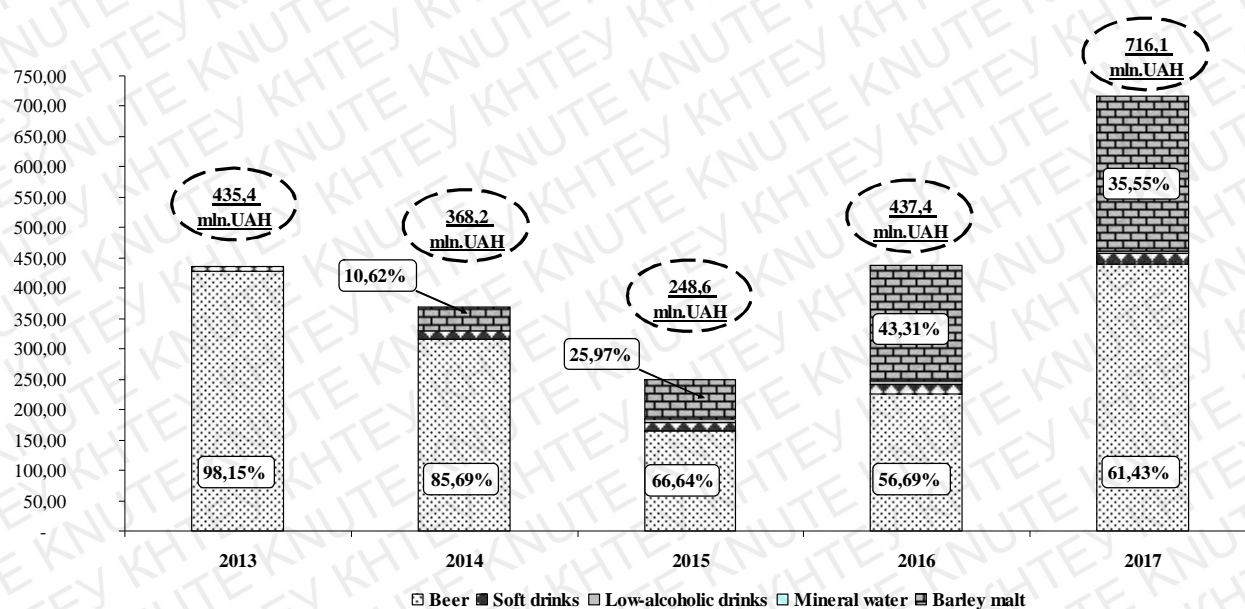


Fig.2.4 Dynamics of the Revenue from Export by Commodity Groups in the PJSC “Obolon” during 2013-2017 Years, mln.UAH

Source: created by the author based on the data received from the PJSC “Obolon” (Annex I)

Over the last five years the PJSC “Obolon” revenues (net sales) from export activity have been uneven (table 2.4.). Three years from 2013 to 2015 export’s net sales have fallen steadily. But in the following two years, it conversely demonstrated a



growth and increased in 1,76 and 1,64 times respectively. The dynamics of the costs of exported products was almost identical to revenue's fluctuations apart from the 2014 year when the costs didn't show decline meanwhile operational costs of export fully followed the net sales tendency.

Table 2.4

### Export Efficiency of the PJSC "Obolon" in the 2013-2017 Years

Indicator	2013	2014	2015	2016	2017
Total net sales, mln.UAH	2992,62	3189,91	3642,00	3524,95	4112,78
<b>Net sales from export, mln.UAH</b>	<b>435,41</b>	<b>368,25</b>	<b>248,55</b>	<b>437,42</b>	<b>716,09</b>
<i>Share of export in net sales, %</i>	<i>14,55</i>	<i>11,54</i>	<i>6,82</i>	<i>12,41</i>	<i>17,41</i>
Costs of exported products, mln.UAH.	195,94	234,20	162,99	295,21	497,63
Operational costs of export, mln.UAH	53,41	39,01	15,08	18,74	60,52
Total costs of export, mln.UAH	249,35	273,21	178,07	313,95	558,15
<i>Effect from export activity, mln.UAH</i>	<i>186,06</i>	<i>95,04</i>	<i>70,48</i>	<i>123,47</i>	<i>157,94</i>
<i>Effectiveness of export activity</i>	<i>1,75</i>	<i>1,35</i>	<i>1,40</i>	<i>1,39</i>	<i>1,28</i>

Source: created by the author based on the data received from PJSC "Obolon"

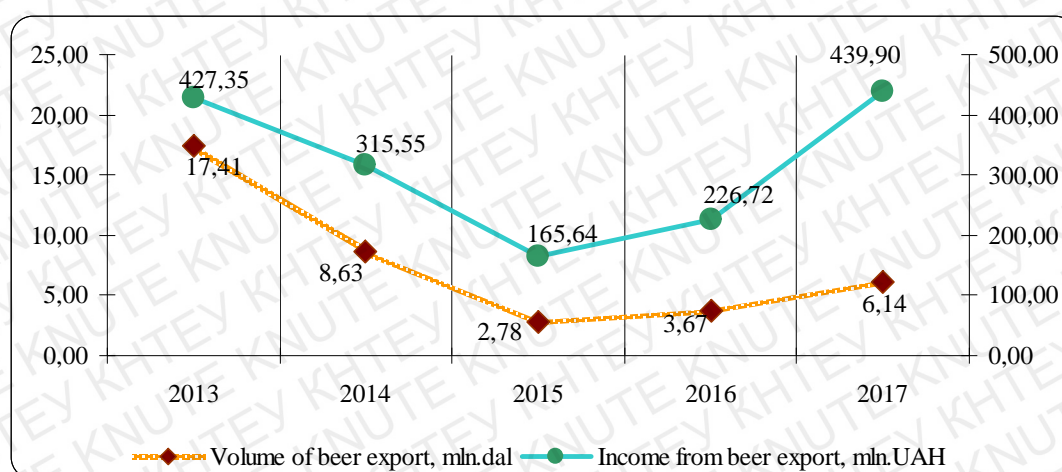
Trade with foreign partners brought to the company in average 12,5% of total net sales for the last five years. It should be highlighted that for given period the lowest share of income from overseas was in 2015 and it has dropped to approximately 7% while in the 2017 its share achieved the highest level and reached 17,41%, increasing by 40,3% compared to previous year.

The available data on net sales from export and total costs of export makes it possible to calculate the economic result of export activity and evaluate its effectiveness (table 2.4). The dynamics of the effect from total export operation was in direct correlation with export's revenues. But the coefficient of its effectiveness has changed in another way and decreased in 2014, 2016, 2017 years. In spite of the highest value of revenue received in the last two years in the researched period, the effectiveness index was only 1,39 in 2016 and in 2017 it diminished on 7,9% to 1,28 correspondingly. However, notwithstanding of decline during last years, it was still positive value (>1) that testified to the feasibility of foreign activity. Nevertheless, some managerial decisions should be imposed in order to avoid further deterioration of the situation.

Despite the fact that net sales and total costs provide information about the actual

profit which the enterprise receives from foreign economic activity, such data is insufficient to make the full conclusions about the results of company's export activity. It is the necessity to investigate and analyze also the dynamics of overseas operations in physical units because the profit can increase while the export volumes actually not change or can conversely diminish and it is quite important to understand the reasons of this in order to make adequate decisions. And only simultaneous comparison of physical and monetary units can give a comprehensive view.

The overall export earnings' reduction in 2013-2015 is connected with significant downsizing in the delivering volumes of beer to abroad (fig.2.5).



*Fig.2.5 Dynamics of Beer Export of the PJSC “Obolon” in Physical and Monetary Units for the Period 2013-2017 Years*

*Source: created by the author based on the data from PJSC “Obolon” (Annex J)*

The cornerstone of this problem was the loss of Russian market from which the company heavily depended for 15 years [82] because more than 90% of all beer volumes produced by PJSC “Obolon” were shipped to Russia. The first drop was fixed namely in 2013 when the company faced with the range of tight constraints which made the product supply to Russian market quite complicated and since 15 August 2014, Russia fully banned the import of beer [16] from several Ukrainian companies among which was PJSC “Obolon”. Exactly this prohibition caused a drastic slump in beer export volumes and as a consequence in overall revenues from foreign economic activity. The 2015 can be defined as the most critical year with the worst results because partnerships with other countries had been unable to replace the size of Russian orders.



But after this year, the negative tendency of the slowdown was interrupted and in 2016 and 2017 the volumes of export beer, as well as income from it, have demonstrated the growth. It is worth noting that during 2013-2015 the beer exports in physical and monetary unit were declining approximately proportionately, but the situation has changed since 2016. The company has obtained approximately the same income in 2017 as in 2013, although the volumes of beer shipment to overseas were approximately 3 times lower (fig.2.5). The total sum of exports income was indicated in national currency of Ukraine while the payments with foreign buyers were made in foreign freely convertible currencies. And actually, the main reason why the company received such good figures was only a significant devaluation of Ukrainian currency when exchange rate continuously plummeted during these five years from 8 USD/UAH in 2012 to 27-28 USD/UAH in 2017. Hence, it can be concluded that these increases mostly were occurred not due to higher price per unit or rising beer volumes which directly show the improvement of the company's activity in foreign markets but in expense of factors which are completely beyond the company's control.

Notwithstanding that income gains in national currency were derived most notably due to foreign exchange rate fluctuations, anyway the positive tendency of the rise in earnings in foreign currency and in the volumes of enterprise's export of drinks started to observe after 2015. However, the total volumes of exported drinks in 2017 were still 67% less than in the year before the crisis situation which has started since 2013. In 2016 the growth rate to previous year of total drinks that were sold abroad was almost 32%. In 2017 year this indicator has even doubled. As more than 90% in export drinks structure belongs to beer, the reason of total export growth is connected with increasing of sale volume of beer abroad which growth rate is approximately the same, namely in 2016 – 32%, in 2017 – 67% (Annex J, Table J.2).

Export volumes of other drinks were volatile, constantly changing in 2013-2017 and visible trend couldn't be defined (Annex J, Table J.1). The tendency of net sales from other drinks looked a little differently compared to volumes changes (Annex J, Table J.2). For example, the revenues from soft drinks have steadily risen for these years, while the incomes from the mineral water were wavy. Low-alcoholic drinks



brought the company higher incomes from year to year, a special increase occurred in 2015, when it grew 19 times, although in 2017 the first decline in 2,3 times for these five years was recorded which was explained by approximately 30% reduction in volumes shipped abroad.

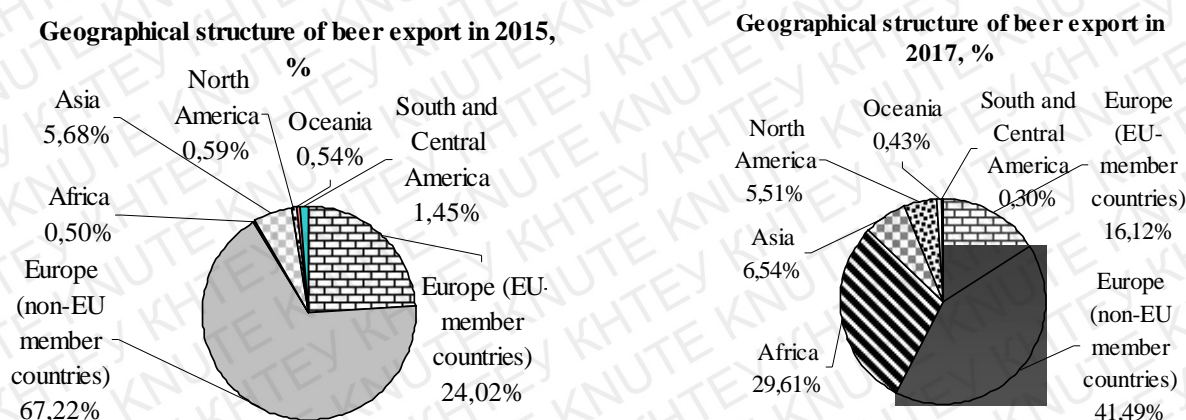
The product structure of exported drinks was diversified as it included both alcoholic and non-alcoholic drinks of different product groups, albeit the shares of drinks without beer during these five years didn't exceed 10%. Soft drinks rank second place in the product structure of drinks export which share varies between 2,1% in 2013 to 6,7% in 2017 meanwhile in 2015 and 2016 its share was within 8,9% and 8,4% correspondingly (Annex K, Table K.1). Low-alcohol drinks and mineral water placed an insignificant part in export volumes among drinks with total share 1,2% at best. The structure in incomes from drinks was approximately the same (Annex K, Table K.2) with only difference that the shares of soft drinks were a little less during three last years and brought at best 7,5% of revenues in 2015 while low-alcoholic drinks had more share in incomes with the best result in 2016 when the share was almost 3%, due to their higher prices compared to soft drinks.

Foreign economic analysis of the enterprise will be incomplete without investigating its geographical structure and product portfolio especially considering the diversity of countries with which PJSC "Obolon" conducted a business during 2013-2017 and a wide range of items in its product mix.

In the export portfolio of the company, as already mentioned, the leading place is occupied the beer. Approximately 10% of its total production of PJSC "Obolon" is exported, which is quite a high rate, especially if taking into account a fact that at least 50% of Ukrainian beer exports belong precisely to PJSC "Obolon". And during all years PJSC "Obolon" remains a constant national export leader of beer, even after losing its main external market.

During 2013-2015 years geographical structure of beer export was approximately identical and did not vary from previous years because leading destination of company's export with 90% share was still European countries among which CIS countries occupied in average more than 60% but the only difference was that since the

2014 year Russia has started to be absent among importing countries. It was quite difficult to reorient export to other countries for such short time period, which is the main reason for the relative stability of the structure in 2013-2015. However, during last two years trend towards altering is clearly visible (fig.2.6). For example, before 2016 the share of European countries was more than 90% but in 2017 it decreased by 36,9% comparing to 2015 and was 57,6%. Among countries from the European region, the prevailing share remained possesses non-EU member countries – 41,5%, although it diminished by 38,3% in comparison to 2015. The share of the states from EU has also reduced, although by more less percent – by 32,9%. But it should be highlighted that during a few years after the most crisis year for the company's exports, the volumes itself have not decreased, conversely, the growth rate of the volumes to all European countries were 10,7% in 2016 and 25,8% in 2017 and if compared the figures of the 2015 year to the 2017 year the quantities of beer export have enlarged by 47,9%. During these five years, the changes in the share of Asia and Oceania, in contrast to other regions, are insignificant but now Asia is only a third market in the structure instead of second place which now occupied by Africa. The volume of beer purchases by states from Africa raised 130 times that increases its share in 60 times to 30%. North America is also starting to play a more substantial role, as its share increased 9 times in 2017 compared to 2015. In 2017 the fewest share belongs to countries of South and Central America which was only 0,3% although before 2016 it was more than 1,5%.

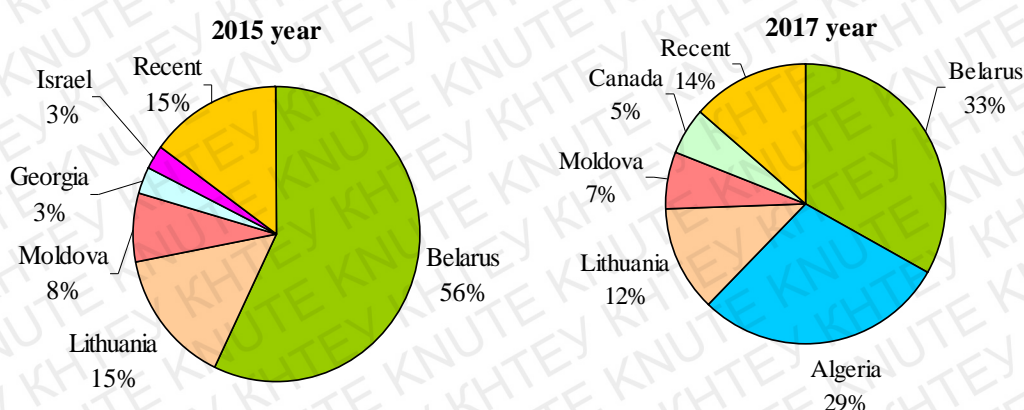


*Fig.2.6 Geographical Structure of Beer Export of the PJSC "Obolon" in the 2015 and in the 2017 years*

*Source: created by the author based on the data received from PJSC "Obolon"*



Nowadays there is no one market from which the company in fact completely depends. After the loss of the Russian market, the place of the leader was taken by Belarus, which before was in the second place. Nevertheless, it is important to highlight that the share of Belarus is gradually decreasing due to the growth of supplies to other markets, some of which is absolutely new for the company. For instance, in 2015 more than half of the total beer sales abroad belonged to Belarus (fig.2.7), while in 2017 only slightly more than 30%. Almost the same share as Belarus now belongs to Algeria, although PJSC “Obolon” started to deliver beer to it only in 2016. The rise of this new destination is significant. Nowadays, this country import beer of PJSC “Obolon” production in the amounts of 1,8 mln. dal (Annex L). That is almost double than the export of the enterprise to all countries together in Asia, America and Oceania. And in fact, the growth in Africa’s share is only due to supplies to Algeria, because almost all of the volume (namely 99%) falls on it.



*Fig.2.7 The Structure of the PJSC “Obolon” External Trade of Beer by Country in 2015, 2017 Years, %*

*Source: created by author, based on materials received from PJSC “Obolon” (Annex L)*

Despite the fact that overall export to EU-member countries is gradually growing, seven out of eleven countries (Great Britain, Greece, Spain, Italia, Germany, Poland and Czech Republic) from year to year began to buy less beer of PJSC “Obolon”. The growth which is demonstrated by EU-states occurs at the expense of Estonia, Latvia, Lithuania and Romania.

Belarus, Lithuania, Moldova, Israel, Georgia, Estonia and China are states which during last five years are among the leading importing countries of the PJSC “Obolon”



beer. But the position some of them slightly changed and now countries as Algeria and Canada are among top-5.

Azerbaijan, Canada, Chile, Lebanon and UAE, as well as Algeria, demonstrated a very high level of growth (Annex L). For example, Canada showed the enormous result of rising import beer supplies volumes from PJSC “Obolon”. In 2017 compared to 2015 it increased in 745 times.

PJSC “Obolon” stopped selling beer to such countries as Armenia, Congo, Cyprus, Ghana, Panama, Singapore, Sierra Leone and South Korea but the share of each of them was less than 0,5%, consequently that not make any significant influence on company’s result. But enterprise is in a constant search of new markets and as a result, it opened four new markets in 2017 – India, Mongolia, Saudi Arabia and Seychelles.

Enterprise has a wide range of trademarks under which it sells it to foreign buyers (Annex M). The main beer trademarks of PJSC “Obolon” which going to export are TM “Obolon”, TM “Zibert”, TM “hike”, TM “Zlata Praha”, TM “Desant”, TM “O Non-alcoholic”, TM “Zhugylyvske” and TM “BeerMix”. Under these trademarks the company sells different type of beer. Some of the beer is directed only to specific markets. For example, only Canada and Seychelles buys “Desant extrastrong”. Some countries import only one type of beer. For example, UAE and Saudi Arabia buy only “O Non-alcoholic” beer which explained by the specificity of markets of these states. Two new markets Albania and India ordered only “Obolon Premium”.

The most popular beer among consumers of majority foreign countries is “Obolon Light” which share is 36%. Beer “Zhugylyvske”, “Zibert Light”, “Obolon Premium”, “Obolon Lager” and “O Non-alcoholic” also has a high level of demand in many countries with a total share 17%. Besides trademarks that are selling around the world, the enterprise also releasing localized brands. For instance, beer manufactured on Obolon plant sold under such names as “16S”, “Bexport”, “La Couronne” and under 4 other names are known only in Algerian market as well as beer with trade name “Alus Cento”, “Brolijos”, “Horns&Hooves”, “Optima” and “Vaivoru” sold only in Lithuania.

The second large group of exporting drink products, as was mentioned before, is soft drinks the shipment of which is made to 13 countries (in 2017). In portfolio of soft

drinks undisputed leader with 97% share is non-alcohol drink with useful properties TM “Zhivchik”. And all countries which order soft drinks buy it. Nowadays, company proposed Apple, Pear, Lemon and Orange “Zhivchik” while before that also was Cherry, Unik and Noncarbonated “Zhivchik” but despite little shorten of its types this not made negative influence on overall volume of sales it to foreign countries. The most popular drink among overseas consumers is “Zhivchik Apple”, share of which reach more than 55% (Annex N). The second most popular is Zhivchik Pear with an average share of 15%. The leading importers of drink of this trademark are Belarus, Moldova and Canada. The last one increased its purchases 80 times during last three years. Among others soft drinks which company sells abroad are drinks with classic tastes (“Obolon Lemonade”, “Obolon Citro”, “Obolon “Tarkhun” and “Obolon Baykal”), Cola Nova and Kvass. “Tarkhun”, “Baykal” and Cola Nova are new products in export portfolio and now are imported only by Canada. The main buyers of “Lemonade”, “Citro” and Kvass are countries of America.

Low-alcohol drinks which play small role in PJSC “Obolon” export operations are sold only in few countries (Annex O). Export proposals consist of such products as “Vodka Lime”, “Whiskey Cherry”, “Rum Cola”, “Brandy Cola” and “Gin Tonik”. The share of last three drinks is approximately the same – an average of 27%. Great Britain significantly surge the purchase of low-alcohol drinks, at the same time Canada conversely increased import and become the leader among buyers, although export of this kind of products it started to this country only in 2016. Also two new countries – Israel and Seychelles – became importers in 2017.

Mineral water as a low competitive product in foreign markets takes the smallest share in the export of drinks. Moldova was a major buyer of it during several years but last two years it did not imported this item. However, nowadays Canada and New Zealand started to be buyers of “Obolonska” mineral water.

Besides drinks company periodically exports dry beer pellet to Tunisia and Switzerland, polymer products like PET-bottles and caps to Israel, snacks and toasts to Latvia and Estonia. But these exports were sporadic and insignificant to the company’s results. But, as was mentioned previously, export of barley malt has played important

role. In 2017 it was exported to 8 countries – Azerbaijan, Belarus, Great Britain, Georgia, Moldova, Poland, Slovakia and South Africa. Moreover, from year to year its position is strengthening in product export structure, overcoming significantly in incomes all drinks products except beer. Moreover, selling such product group seems to be quite perspective which can bring sufficient earnings for the company and enhance its overall competitiveness in the future.

Thus, after the investigation of financial position and foreign economic activity of the PJSC “Obolon”, it can be concluded that this enterprise has quite volatile financial results, significantly depends on external sources and is affected by the numerous out-of-control occasions. But despite all negative inward and outward factors, it continues to be active participant of the international trade and furthermore, significantly develop its presence on the global market.

## 2.2. Influence of External Factors on the Competitive Positions of PJSC “Obolon” in Foreign Markets

An external environment creates a myriad of substantial factors that implicitly or explicitly effect on the company’s results and plays a crucial role on the competitive stance of each company. Deep analysis and understanding of all current and possible traditions, regulations, trends or events that exist independently of enterprise helps it to develop adequate managerial decision that allows keeping under control the level of enterprise competitiveness.

Research of industry statistics, defining world leaders and contemporary trends is an essential part of work directed to the clear understanding of threats and opportunities which is born by the competitive environment.

PJSC “Obolon” as a producer of one of the oldest alcoholic drinks in the world belongs to the global brewing industry. The beer had been playing an important role among foodstuffs during many centuries and one of the proofs of its extreme importance can be its another name – “liquid bread”. Gradually beer production moved from monks and home production to industrial scale. Scientific researches of the end of



XIX century contributed immensely to the mass production of it, especially after Emil Hansen revolutionized beer-making through development of new ways to culture yeast particular for beer [43]. With the industrialization process and due to new technologies, the tendency of growing beer output was observed since XIX century and since that time the big companies has started to prevail in marketplace and the proof of this can be the fact that nowadays only 40 companies produce 88% of all beer in the world, hence large-scale manufacturers still reserve absolute leadership positions in the global marketplace. [98].

Until 2013, the world production of beer has grown steadily, but since 2014 there has been a negative trend towards a slow decline in beer outputs (Annex H). It noteworthy to mention that since 1950 declines had never before recorded several years in succession and in spite of enlargement of beer volumes production in 91 countries, the decrease approximately in 40 others did not allow to receive positive results worldwide [96, p.8]. But the encouraging sign of the future growth of the market was received in 2017 when for the first time since 2013 was registered an insignificant increase in world beer production.

Nowadays the characteristics and development all around the world of this industry are heterogeneous and ambiguous. That is mainly connected with the existing various stages of the product life cycle of the beer across the markets [56, p.10]. The markets of Europe and North America countries are saturated, highly competitive and have been slow-growing or even stagnant, while in emerging countries of the Asia-Pacific and Africa regions the consumption of beer is continuously growing and all experts in beer industry define these regions as the most perspective.

Asia-Pacific is the largest region in the world for volume sales of “amber drink”. China as the world’s largest beer producing and consuming country since the early 2000s, undoubtedly dominated at this region but during last years it demonstrated declines. Moreover, precisely downturns in Chinese consumption, along with Brazilian’s and Russian’s, caused the overall decline in the beer world consumption which shrunken on 1,8% in 2016 [25]. But the region at all remains its attractive position for brewing companies due to several reasons among which the main ones are

growing population, increasing of the disposable incomes, changing in lifestyle and consumption patterns etc. The attractiveness of this region may be confirmed by such signs as low level of per capita consumption which in 2016 was only 17 liters that is an evidence of great growth potential [30], while among European countries this average indicator was 70 liters [106]. The same reasons motivate brewing companies to focus more on African countries. Furthermore, the beer market in Africa is predicted to grow faster than any other region over the next years [82].

It will be a mistaken assumption that brewing industry starts to diminish its development or it starts to be less interesting for consumers or market players. Despite existing divergent trends, the production and selling beer around the world will remain lucrative. The global beer market was valued at 593 billion dollars in 2017 [35], and is projected to reach 736 billion dollars in 2021 [50]. It is just happens some kind of transformation of global beer market which forcing beer-makers to change their behavior, to reorient to other markets, to adapt to the newest trends and preferences.

One of the major up-to-date trends in this industry is the growing interest for low and no alcohol beer among significantly increasing number of health-conscious consumer. In the end of XX century non-alcoholic beer was mainly oriented on drivers and pregnant women and it was unpopular among the majority beer-buyers but today it is conversely the “mainstream” largely due to several latest improvements in technology which make the taste of this type of beer more like standard taste of alcohol beer. Today the share of low and alcohol free beer is still small (only about 2-3%) in overall beer consumption, although annual growth is 4-6% versus just one percent for beer as a whole [40]. Actions and intentions of the leading companies of the industry indicate that precisely this category of beer become the major priority for them. For example, the biggest brewing company in the world – AB InBev – wants to increase the share of low and non-alcoholic beer in its production volume to 20% by 2025 [39]. PJSC “Obolon” also produces non-alcoholic beer and has already exported it to several countries. The share of this type of beer in the overall company’s export volumes is approximately 2% in 2017 that correspond to the today’s average world indicator.

Low or no alcohol beer is not only substitute for alcohol beer but it is more

natural alternatives to standard soft drinks. That is explained by the limited calorie and sodium in beer whereas in almost all soft drinks they are in large quantities. Moreover, beer also has few positive health benefits due to the presence of good nutrient including B-complex vitamins, carbohydrates, proteins, fiber, minerals, and antioxidants [81]. Consequently, by the development of this segment, beer producers can gain propensity from new consumers which are not interested in beer before.

Besides the health-oriented consumers, brewing companies which produce a low or no alcohol beer has a great possibility to receive sufficient benefits from Asian and African consumers, mainly from Muslim countries in which drinking of alcohol is prohibited or strictly controlled. Nowadays, the Middle East and Africa is the largest regional market for non/low alcohol beer, accounting for 39% of global volumes [32] and there is a strong case in favor development of this segment in these states. Also consumers of the biggest beer market in the world – Chinese – in general, prefer less strong beer in terms of ABV (alcohol by volume), compared to the global world and this country is the most prolific global innovator of low or no alcohol beer product launches as 29 % of beers launched in China in 2016 is precisely this type of beer which highlights the high demand on it [73].

Another trend that is particularly associated with emerging markets is a beer with different ingredients and flavors. Flavored beers and beer mixes in particular appeal to consumers seeking sweeter, “easy to drink” products [27]. In this case PJSC “Obolon” has a special product line of flavored beer under trademark “BeerMix” and proposes to foreign markets beer with tastes of lemon, cherry, raspberry, pomegranate, energy beer mix with taste of forest berries and strawberries. The most popular among foreign buyers are “BeerMix Cherry” and “BeerMix Lemon”. It is also noteworthy to mention that these beers are with low alcohol content (2,5%) and there is also available non-alcoholic version of “BeerMix Lemon”.

Among other trends that deserve special attention is beer premiumization. This is means that consumers prefer “drink less but better” and they are willing to pay more for beer of better quality. Most brewers now recognize that the premium brews industry would remain the most dominant segment and the super-premium beers are anticipated



to exhibit the highest growth rate in the forecast future [35]. According to latest data, the premium beer grew 3,1% and super-premium grew 5% while discount and mainstream beer grew only on 1,6% [54].

The trend of premiumization is more developed in mature markets of Europe and North America which typically consume beer of a higher quality (and margin) [56, p.13], while emerging markets still mostly prefer economy and mid-priced beer. Despite the prevalence of this trend in developed countries, consumers from emerging countries are choosing such beer as “demonstration of wealth and sophistication [27]” and mainly interest to high-price beer is directly connected with increasing purchasing power. For example, consumers of China, South Korea and India have already looked for premium beer [30]. Rising incomes in emerging markets will accompany with the increasing demand on premium beer, consequently brewing companies should to continue maintain and further develop such segment.

Nowadays in the global beer market the major power is concentrated only in a few companies which possess wide portfolio of trademarks and species of beer which orients on different price segments. However, the global beer market cannot be defined as moderately or highly concentrated as the Herfindahl-Hirshman Index, which is commonly used to measure industry concentration, is below of rates which declare the tendency to monopolization [42].

The ten largest brewing companies are the following (on the 31 December 2017): four companies are European – AB InBev (31,4%), Heineken (11,2%), Carlsberg (5,8%) and BGI/Groupe Castel (2,0%); three companies – Chinese – China Res. Snow Breweries (6,5%), Tsingtao Brewery Group (4,0%) and Yanjing China (2,2%); Asahi (3,0%) and Kirin (1,5%) are Japanese and USA/Canadian company Molson-Coors (5,1%) [98]. Among other leading brewing companies should be also highlighted Diageo (Guinness) and Efes which market share is approximately one percent each but nevertheless, they are among internationally-active beer corporations.

Twenty or even ten years ago this list looked somewhat different (table 2.5) because direction towards consolidation in brewing industry has significantly increased only since 2000.

The bright evidence of intensification of this process is that at the end of 2017 three companies produces approximately 50% of total beer volumes [58] while only fourteen years ago this percent of the market controlled ten brewing companies [41]. These enterprises mainly increase their market share not due to organic growth but through active mergers and acquisitions (M&A) process.

Table 2.5

### The World's Leading Breweries in 2006 and 2017 Years

№	31.12.2006				31.12.2017			
	Name of the company	Country	Beer output, ml.hl	Share, %	Name of the company	Country	Beer output, ml.hl	Share, %
1	InBev	Belgium	222,0	13,07	AB InBev	Belgium	612,5	31,38
2	SABMiller	UK	216,0	12,71	Heineken	Netherlands	218	11,17
3	Anheuser-Busch	USA	183,2	10,78	China Res.Snow.B	China	126	6,46
4	Heineken	Netherlands	131,9	7,76	Carlsberg	Denmark	113,4	5,81
5	Molson-Coors	USA/Canada	49,5	2,91	Molson-Coors	USA/Canada	99,6	5,10
6	Modelo	Mexico	49,4	2,91	Tsingtao Br. Group	China	78	4,00
7	Carlsberg	Denmark	49,2	2,90	Asahi	Japan	58,2	2,98
8	Tsingtao	China	45,7	2,69	Yanjing	China	43	2,20
9	Baltic Bev.Group	Russia	45,5	2,68	BGI/Groupe Castel	France	38,8	1,99
10	Femsa	Mexico	37,7	2,22	Kirin	Japan	29,9	1,53
11	Other top 30 companies		405,8	23,88	Other top 30 companies		305,3	15,64
12	<b>Totally top 40 companies</b>		<b>1435,9</b>	<b>84,51</b>	<b>Totally top 40 companies</b>		<b>1722,7</b>	<b>88,27</b>
13	<b>World beer production</b>		<b>1699</b>	<b>100</b>	<b>World beer production</b>		<b>1951,7</b>	<b>100</b>

Source: created and calculated by the author based on the [98]

The largest world's brewer AB InBev is a bright sample of consolidation process because it has grown to such enormous scale namely due to several large-scale M&A transactions. The start was in 2004 when Belgium Interbrew combined with Brazilian Ambev and formed one company InBev. Four years later there was another big M&A deal in the beer industry which combined Anheuser-Busch (USA), the largest company in the USA, with InBev which mainly controlled the European and Latin American markets. Since that time this corporation is unquestionable industry leader. The important transaction for this company was a whole takeover of Mexican brewer Grupo Modelo in 2013 which is of particular interest for company as it is one of the world's

leading exporters and its Corona brand is available in over 120 countries around the world [24, p.14]. But the largest 100 billion dollars M&A transaction for the company was made by AB InBev in 2016 [75]. This deal led not only to increasing of its market share but led to transformation in membership of “four global beer giants” to which had included AB InBev, SABMiller, Heineken and Carlsberg because the brewing giant AB InBev takeover the SABMiller – the previous number two in the world – and “the big four” transformed into “the big three”. In turn SABMiller also a company which was created in 2002 by the combination of South African Breweries and Miller Brewing. After the 2002 merger SABMiller conducted active acquisition process of local breweries around the world and in contrast to AB InBev mainly focused on local brands than a global. SABMiller has strong position in many developing and emerging markets, especially in Africa where it is the largest supplier of beer [26, p.60]. In order to comply with anti-trust laws of many countries, AB InBev has agreed to enormous sell-offs of SABMiller’s holding in Europe [95], the shares in China Res. Snow Breweries held by SABMiller were sold to the Chinese state and the shares in the US joint venture MillerCoors went to Molson-Coors [97, p.8]. In exchange of all of these, company benefits with a stronger presence in key emerging regions with attractive growth prospects, such as Africa and Latin America [24, p.45].

Prevalence of giant beer producers with transnational capital on the global marketplace creates one of the biggest threats to the success of PJSC “Obolon” products in foreign markets because everywhere where the company operates it faces with competition from these transnational corporations. It should be stressed out on fact that PJSC “Obolon” is also quite big company in the world brewing industry and even, as was mentioned previously, is among world’s 40 biggest brewers, but nevertheless its international presence is limited as its production facilities are located only in Ukraine and it expands to foreign markets by exporting modes. Whereas key global leaders not only export but diversify their geographic presence mainly by investment mode through active mergers or acquisition process or by directly building manufactures from scratch.

The manufacture facilities of the largest industry leader AB InBev locates in more than 50 countries. And after numerous merger and acquisition operations and great



number of existing factories, this company continues to conquer the world market by building new breweries in the most forward-looking regions. For example, to the latest data this corporation will invest into new breweries in Mozambique, Nigeria and Tanzania [29; 86]. The today's second largest company Heineken sells more than 300 brands in 190 countries [68, p.14] and manufactured facilities are located in more than 65 countries. It has very strong position in European region as it is the Europe's leading brewery. Carlsberg Group, which occupies fourth place, owns fully or partly of 82 breweries in 34 countries in three regions – Western, Eastern Europe and Asia and through numerous export and license agreements, it is present in more than 100 markets around the globe [45].

Due to the allocation of production facilities in different countries, these transnational corporations have several competitive advantages which are not available to the PJSC "Obolon". Firstly, they receive the possibility to produce such volume of beer which can satisfy the local demand. Also, another preference is that this worldwide presence enables to downsize the transportation costs, minimize or even get rid of the customs payments. Also, subsidiaries of such corporations can receive help or recourses from the parent company in the case of financial difficulties while PJSC "Obolon" have no such opportunity and forced to take bank loans to resolve existing problems.

Giant transnational breweries also obtain great competitive edge from brands they are owned. Beer is quite homogenous by its nature but it is highly branded product. Branding in beer has a strong effect on consumers' decision and is more powerful characteristic even than price or quality. This issue can be defined as a serious threat to the competitiveness of PJSC "Obolon" in foreign markets because large companies have in their brand portfolio global brands which are well-known all around the world and simply their name act as equity that has a direct positive influence on their competitiveness. Brewing enterprises receive additional revenues from the large difference of price between premium and discount beer, although the production costs of premium beer are only slightly above the production costs of mainstream or discount beer [56, p.9]. Namely consumer's perceptions of brand play the major role in this case and premium and super-premium brands which are popular among beer buyers mainly

belongs to large-scale corporations. Besides this, big corporations have been producing a lot of beer under localized brands and likelihood that consumers will choose precisely such beer is much higher relative to choice in favor of beer produced by “Obolon”. One of the reasons of this is that such corporations frequently buy plants in other countries which had been popular long before the acquisition agreement and consumers usually stay loyal even after the owners of the brewery has been changed. Or if large-scale companies build a new brewery, they compulsory take into consideration local tastes and preferences that automatically enhance their sales. Consequently, the competitiveness level of such big beer producers is higher due to the simultaneous availability of global and local brands.

Moreover, giant producers of beer have enormous marketing budgets that popularize a particular brand and have an opportunity to advertizing their brands even in the situation of stick restriction imposed by government regulations through sponsorship of big events, especially sports events. For example, Heineken are among the eight big official sponsors of UEFA Champions League since 2005 which allows reaching the target audience all over the world due to this prestigious tournament is one of the world’s most widely viewed television events and is the most watched annual sporting event [82].

Consequently, today due to geographically diversified platform and availability of well-known global brands and wide range of local brands these world’s top transnational brewing groups are the most powerful rivals to PJSC “Obolon” in all foreign markets, as well as on the domestic market.

However, besides these transnational corporations, PJSC “Obolon” also faces competition from so-called “craft breweries”. The main peculiarity of “craft beer” is that it is produced in relatively small quantities in microbreweries by non-standardized receipts. Actually that is a return to roots of brewing. It is quite interesting because the trend of increasing demand among consumers and growing number of producers of “craft beer” exists along with the trend of consolidation which is absolutely opposite inherently. It should noteworthy that is some kind of market niche and the most popularity it obtain in mature markets like Europe and North America. But the main

risks for PJSC “Obolon” is not the “craft breweries” itself but the brewing giants which capture this tendency as they understand that this segment is quite promising in saturated markets and start introducing craft beer brands by cooperating or buying such small breweries. In response to current trends PJSC “Obolon” is also has the special line of craft beer under the trademark “O-craft” which is produced by Ukrainian mini-brewery LLC “Yunitek”. However, primarily because of high costs which can be covered only by uncompetitive price in order to obtain profit, this “O-craft” beer still has not been exported to any country.

Among other external industry-related factors that any company should take into account is the availability of substitute products. The main beer substitutes are other alcoholic drinks like wine, vodka, gin etc. If talking about non-alcoholic beer, the substitutes can be any soft drinks. Of course, some kind of threats these substitutes can carry to PJSC “Obolon”. However, beer is still the undisputed leader among alcoholic drinks despite existing enormous number of substitutes which contains alcohol. But one thing that plays an important role during consideration issue of substitutes is the existing relationship between the income and beer consumption. According to the research of beer consumption in 80 countries during 50 years, this relationship has an inverse U-shape [25]. That is mean that with increasing GDP per capita, the beer consumption rises but after it reach certain level, the consumption start to diminish. It is important because the consumption priorities are also changed with GDP changes. For instance, the consumption of vodka or gin are increased when the income per capita begin to growth in emerging markets and in the matured markets with high income level beer is substituted by wine with decreasing beer consumption [56, p.13].

Suppliers are also an important part of the external environment of PJSC “Obolon” which make an influence on its competitive position in foreign markets as they directly define the level of costs of the beer production as well as the quality of beer which mainly depends from its basic ingredients without which its production is simply impossible. Those are water, malted barley, hops and yeast. Company PJSC “Obolon” has a sufficient competitive advantage – own malt of Pilsner type which is produced by the separate workshop in Khmelnytsky Region (in Chemerivtsi).



Consequently, the company avoids the purchase of barley malt via intermediaries without overpaying to them and monitors its quality at the process of producing. But nevertheless, independence from external suppliers doesn't protect the enterprise from such outward factor as barley harvests which volumes define the price of malt. For instance, according to the latest data, it is expected that in the coming marketing years (MY) prices for barley will remain high after the deficit in 2017/2018 MY due to reducing crop areas and unfavorable weather conditions [4]. Hops the enterprise buys only from domestic suppliers of Zhytomyr region which has a positive effect on the company's results as in this case the price of it is lower than imported ones and the company doesn't use foreign currency for payments. Make a forecast about the price of raw materials is an integral part of managerial work during planning the foreign economic activity. In the PJSC "Obolon" certain degree of marginal revenue is established and export managers during defining the price for each export contract are oriented to this margin figure. Hence, research of the market information about the malt barley, hops and other raw materials is simply essential for future company's competitiveness in foreign countries.

The other integral components of beer producing and distribution which company receives from the outside are electricity, natural gas, hydrochloric acid, ammonia, fuel and packaging materials.

During last years in Ukraine the price on electricity, natural gas and fuel has raised enormously which as a resulting strike a blow for PJSC "Obolon" expenses as well as effects on production costs of other Ukrainian enterprises which are suppliers of raw materials to the company. Such appreciation of value predominantly caused by the significant devaluation of Ukrainian national currency – it depreciated approximately in 3,5 times if make a comparison with 2013 year. But the currency fluctuations of Ukrainian currency have a multidimensional character for PJSC "Obolon". That is explained by the fact that from the one side, the company receives the revenue from overseas buyers in foreign currency and in spite of sufficient reduction in sales volume, the revenue from export not only has decreased but also has grown up in national currency about which was mentioned previously. On the other side, it's led to the

increase the costs of production itself and products distribution. Moreover, the problem of devaluation is further complicated by the several credits in foreign currency that PJSC “Obolon” has. In such circumstances, the selling products abroad are simply vital actions for receiving additional profits.

Packaging is the part and parcel of the beer which plays one of the key roles during consumers purchasing decisions. Despite packaging and its look are defined by direct decisions of the company, it heavily depends on the external environment because of several reasons.

Firstly, some regulations exist in home or foreign countries which can constraint something, for instance, can define the permissible size of PET-bottle etc. Also, such external factors as cultural differences and multiple preferences in each country strongly affect the packaging and as a result, on the company’s competitiveness. Besides these, the packaging materials are received mainly from outside suppliers which are also part of the external environment. There are four main types of packaging for beer – glass bottles, cans, kegs and PET-bottles. PJSC “Obolon” buy glass bottles from Ukrainian enterprise PJSC “Rokitnovskiy Glass Work”, PET-preforms are delivered by PJSC “Obolon” separated shop which is located in Olexandria (Kyivs’kii region), kegs and cans are also ordered from Ukrainian companies. Hence, all packaging materials PJSC “Obolon” buys from domestic companies that, as was observed before, has a positive effect on final costs of beer, although during last five years the prices for packaging materials were increased.

As was mentioned, the knowledge of peculiarities in tastes and existing government regulations connected with the type, size and shape in each particular country defines future sales in those states. The confirming of the fact that the preferences of packaging type really vary from nation to nation can be statistical data. For example, in the USA 56% of selling beer was in aluminum cans, 33% in the glass bottles and only 0,4% in PET-bottles, others 10,6% has been sold from kegs [36] whereas the market configuration in Belarus absolutely differ – here the share of plastic bottles is more than 70% [5]. Consequently, directly or indirectly external environment affects the packaging which in its turn defines the level of the company’s

competitive stance in foreign markets.

The enterprise's dependence from such important factor of external environment as suppliers can be confirmed by the situation that all Ukrainian beverage producers faced in the early summer of 2018. The problem was that the single producer in Ukraine of nitrogen and hydrochloric acid, which are used in water treatment and without which production of beer and other drinks will be ceased, JSC "Dniproazot" fully stopped its activity and the opportunity for enterprises to reorient to imported ones in short-term period seemed simply impossible for several reasons [19]. The situation was really critical, and only a month later it was resolved, as this company resumed its activities. Otherwise, PJSC "Obolon" would have to find partners abroad, which would entail all negative consequences to costs.

The functioning, as well as the competitive stance of the company, largely depends precisely from legal regulations which are adopted by both national and foreign governments. In case of brewing industry this influence is even stronger as beer refers to alcoholic beverages which are under stricter control than other products in all countries, although, of course, its degree differs from country to country.

One of the spheres which are constantly under government scrutiny is advertising for alcoholic beverages. There are several types of advertising restriction exist from content restriction to even full ban on advertising. The limitations may concern all mediums (TV, radio, outdoor marketing, printed media, cinema, internet/digital media, promotional items, sponsorships) or they may relate to only some of them. According to European Centre of Monitoring Alcohol Marketing (EUCAM) there are several countries which are fully ban advertising on any kind of advertising in all mediums. For example, Lithuanian government has imposed such full prohibition since January 2018, whereas some countries excluded the beer from full ban (for example, Poland) or simply imposed less strict limitations [59]. Also in many countries beer producers are bounded to give special compulsory health warnings on labels like "Enjoy responsibly". All restrictions regarded to beer are covered in detail in the national laws of each country.

Taxation regulation plays one of the crucial roles which implicitly change the



price of products and as a consequence, alter in some way the competitiveness of the product. As beer is an excisable product it means that excise duty is charged on it. The rate of excise duty, as well as value added tax, is defined by each government separately because they are internal taxes of each country.

Even inside the European Union the rate of excise duty widely diverges. For instance, in Lithuania beer is subject to an excise duty rate of 7,11 Euro for 1% of actual alcoholic strength by volume fixed per hectoliter of the product [61] while in neighbor Estonia the rate is 16,92 Euro (from 01.02.2018, the year before it was 9,13 Euro) [60]. The problem for all brewing companies is that excise duty often increase which make the beer as a product less attractive and hamper the growth of the beer market in all. It worth noting that excise duty and VAT are indirect taxes and consequently included in the price of beer that is sold in one country and there no division between domestic and imported beer. However, the last one is also under import duties which can negatively influence the company's position in such country. For example, Belarus imposed such rate of import duty on the beer (customs code 2203 00 010 0) – 0,018 euro per 1 liter [7, p.6], whereas the rules of the European Union are favorable for imported beer as they imposed zero rate [57, p.169]. Of course, PJSC “Obolon” as Ukrainian entity doesn't directly pay import or internal taxes in importers-countries, nevertheless all these taxes alter the final price for end consumers in these countries and as a result the product competitiveness as the main part of enterprise competitiveness can suffer.

Besides taxation and legal regulations, countries can interfere in the competitive environment and adopt different decisions which significantly impede normal activity of the enterprise in this country or even pushing to complete exit from such market. For instance, Belarus several times took such non-tariff measures. In 2014 Belarusian government obliged importers of beer to receive individual licenses, although the procedure of their obtaining was unclear. Some years before this, Belarus accused PJSC “Obolon” in dumping, although the proofs have not been provided. After long inquiry procedure, the PJSC “Obolon” agreed to sign an agreement with Belarusian partners in order to prevent full lose of the market according to which it pledged to increase selling price on 48% [9, p.16]. The last restrictive attempt was made in 2015 when mandatory

state sanitary and hygienic expertise of Ukrainian products imported into Belarus was introduced and again export deliveries were paralyzed for some period.

The decisions and actions which the Ukrainian government makes also have a significant impact on the company's competitiveness in foreign markets. There are several reasons for this.

First of all, PJSC "Obolon" is a Ukrainian company, and its main activity is focused on the domestic market, and all decisions that cause a decrease in domestic demand for beer lead to a reduction in the company's profits. One of such decisions was made in 2016, when the excise duty sharply increased by 100%, which immediately adversely reflected on beer sales on the domestic market. At first glance, it seems that such kind decisions do not affect the company's foreign economic activity, but as a result of such measures, the company receives fewer financial sources that can be used to increase the competitiveness of the enterprise in foreign markets.

Also, different decisions of the National Bank of Ukraine concerning foreign currency control have implicitly effect on the company's earnings and opportunities. In 2014 there were established strict rules which obliged enterprises to sold 75% of their export revenues and the next year this norm was preserved. In the following two years took place the gradual reduction to 65% and 50% [15] correspondingly. Despite mitigations in 2016 and 2017, these restrictions still negatively affect the PJSC "Obolon", especially if taking into account several credits in foreign currency and necessity of continuous technological modernization which require significant investments in order to remain competitive.

Summarizing all the above mentioned, PJSC "Obolon" is one of the prominent representatives of world brewing industry which nonetheless is been vulnerable to the impact of the external environment. PJSC "Obolon" is faced with the number of challenges like powerful big rivals, the substitutes in both mature and growing markets, heavy taxation and tightening of the legal regulation, growth in health awareness among consumers, changing tastes, economic slump in Ukraine etc. But nevertheless, nowadays the brewing industry offers numerous growth opportunities and PJSC "Obolon" has all possibilities to receive its place in the markets of various countries.

### 2.3. Assessment of the PJSC “Obolon” Competitiveness in Foreign Markets

PJSC “Obolon” is an enterprise which is actively participating in the foreign economic activity and in order to remain its power in existing overseas markets and entering into new ones, it obviously should conduct the assessment of its competitiveness. But the main problem is that the competitiveness evaluation is effective and reasonable just in the case of comparison with particular rivals of one industry in one country.

For precisely this reason in order to make an overall company’s competitiveness evaluation, it was decided to choose the beer market in one country. Among the diversity of countries to which the enterprise deliver its beer, was selected the Belarusian market as the biggest importer of the Obolon-production beer. The major players and consequently, the main competitors on this market are three companies – PJC “Alivaria” (Carlsberg Group), PJC “Lidskae pivo” (Olvi Group), and PJC “Krinitsa” (a state-owned property company).

Precisely to comparison of brewing sector companies was developed an integral index of company competitiveness (formula 2.1.)

$$IIC = 0,2 * FSI + 0,35 * PECI + 0,4 * IIS + 0,05 * IMGR, \quad (2.1)$$

where *IIC* – is the integral index of the company’s competitiveness;

*FSI* – is the enterprise’s financial stability index;

*PECI* – is the production efficiency and capabilities index;

*IIS* – the index of influence on sales;

*IMGR* – is index of the market share growth rate.

Each index consists of several indicators and all together they enable to make assessment of the enterprise as a unified system in which each component effect on the level of company’s competitiveness. The indicators in all groups and their weights were chosen in accordance with peculiarities of brewing industry. This method was selected because it enables to analyze not only “ex-post” competitiveness but provide the



opportunity to define the perspectives or, in other words, company's "ex-ante" competitiveness in the certain market.

The first group comprises indicators by which can be evaluated the financial position and can be defined the signs of crisis phenomena and bankruptcy risk of an enterprise. The calculations are shown that PJC "Alivaria" and PJC "Lidskae pivo" have the most favorable financial position with the results of 2,18 and 1,19 correspondingly, while PJSC "Obolon" receive 0,72 points which enable it to takes third place (table 2.6). Due to this analysis PJC "Krinita" has quite unsatisfactory financial results, and more over it is the only company which is located in distress zone (according to 5-factor model of E.Altman). In its turn, PJSC "Obolon" together with PJC "Lidskae pivo" is in a grey zone, while only PJC "Alivaria" are healthy company and all other indicators confirm this. It should be mentioned, that PJSC "Obolon" is inferior to PJC "Lidskae pivo" only in two indicators – Z-score and current ratio. But as it was analyzed in the previous part of this work, the current ratio was significantly improved last year and if taking into account overall gradual recovering after extremely crisis years for Ukrainian breweries, which Belarusian breweries have not faced with, it can be assumed that in subsequent years, this index for PJSC "Obolon" will improve.

Table 2.6

### The Competitiveness Index on the Basis of Financial Stability Indicators in 2017

№	Name of indicator	Name of the company				Weight of indicator, %
		PJC "Krinita"	PJC "Lidskae pivo"	PJC "Alivaria"	PJSC "Obolon"	
1	Z-score (based on 5-factor Altman model)	0,933	2,174	4,383	1,294	40
2	Return on equity	0,0008	0,151	0,227	0,213	14
3	Return on assets	0,0004	0,072	0,182	0,073	12
4	Net profit margin	0,0005	0,065	0,118	0,087	15
5	Current ratio	0,663	2,617	3,101	1,339	9
6	Equity ratio	0,467	0,469	0,776	0,323	10
7	<b>Total index</b>	<b>0,48</b>	<b>1,19</b>	<b>2,18</b>	<b>0,72</b>	

Source: calculated and developed by author based on financial statements of the PJSC "Obolon" (annexes A-F), PJC "Krinita", PJC "Lidskae pivo" and PJC "Alivaria", see more in the Annex P

The second group comprises the indicators which characterize the level of current effectiveness of management of the production process via indicators of fixed-assets

turnover, product profitability and sales per employee. Also in this group is included the indicator of maximum production capacity which can be referred to as an indicator of production potential. This group of indicators significantly affects the brewing company's success which is explained by the substantial need of the fixed and other non-current assets during the process of the mass beer production. Their rational exploitation, the perfection of the technology of manufactured products, as well as the correct organization of the work process, considerably defines the level of the company competitiveness. The results of calculations (table 2.7) indicate that the PJSC "Obolon" has well-organized production process and beer volumes, which the company capable to produce, a lot more than the Belarusian competitors altogether. However, the company should improve its sales per employee as this figure is worse than in PJC "Alivaria" and PJC "Lidskae pivo". But nevertheless, the good results of other three indicators are allowed to occupy the second place (with total points 1,7) yielding only to PJC "Alivaria" (its result is 2,64) which is a subsidiary of one of the largest giant in the brewing industry – "Carlsberg Group".

Table 2.7

**The Competitiveness Index on the Basis of Production Efficiency and Capability in 2017**

№	Name of indicator	Name of the company				Weight of indicator, %
		PJC "Krinita"	PJC "Lidskae pivo"	PJC "Alivaria"	PJSC "Obolon"	
1	Fixed-Asset Turnover	1,186	1,836	5,354	2,562	45
2	Product profitability, %	0,07	11,24	22,47	12,58	35
3	Sales per employee, mln.UAH/employee	1,28	3,40	2,61	1,52	10
4	Production capacity, mln.hectolitres	0,24	0,2	0,1	11	10
<b>5</b>	<b>Total index</b>	<b>0,18</b>	<b>1,28</b>	<b>2,64</b>	<b>1,70</b>	

Source: calculated and developed by author based on financial statements of the PJSC "Obolon" (annexes A-F), PJC "Krinita", PJC "Lidskae pivo" and PJC "Alivaria", see more in the Annex P

In the current era of "the experience economy" the consumption psychology of FMCG sector products and in particular of the beer is mostly depended on consumer perception of the company and its brands which in its turn is formed to a great extent by means of marketing efforts. Hence, the third group of indicators is among the most

essential for the company's competitiveness. In this market, the Belarusian companies possess greater comparative competitive advantages in contrast to the PJSC "Obolon" which is confirmed by the results of the index of influence on sales (table 2.8).

According to these findings, PJSC "Obolon" has received the lowest result (3,25 points from 5), although it is quite relatively because its image among Belarusian consumers is quite positive and the company's products are been appreciating well by them, but nevertheless, the prestige and consumer confidence of their domestic enterprises is higher.

Besides this, these companies have more opportunities in conducting advertising campaigns or use other marketing tools which are inaccessible fully or partly for the PJSC "Obolon" due to strong legislative restrictions which are active in Belarus. For instance, in the condition of existing limitation on advertising, the Belarusian companies find to the solution in organizing their own beer festivals under their names ("Krinitza Beer fest", "Lidbeer" and "A-fest"). Despite branding and promotion take precedence over price attractiveness during beer purchasing-decision, nevertheless, the price competitiveness is not negligible and is bound to should be taken into consideration during defining the level of the overall competitiveness of brewing companies. According to this criterion, PJSC "Obolon" has a strong position in the Belarusian market, even in spite of the restrictive measures against PJSC "Obolon" that the Belarusian government has taken several times, as a result of which the company was forced to increase the price on the beer.

*Table 2.8*

**The Competitiveness Index on the Basis of Influence on Sales in 2017**

№	Indicators (1-5 points)	Name of the company				Weight of indicator, %
		PJC "Krinitza"	PJC "Lidskae pivo"	PJC "Alivaria"	PJSC "Obolon"	
1	Company's image	3	5	4	3	30
2	Product assortment	3	4	5	4	15
3	Brands awareness	4	3	5	3	20
4	Marketing activities	4	5	5	3	25
5	Price competitiveness	4	4	3	4	10
<b>6</b>	<b>Total index</b>	<b>3,55</b>	<b>4,35</b>	<b>4,50</b>	<b>3,25</b>	

Source: calculated and developed by author



Notwithstanding the existing problems with well-organized positioning in the market of Belarus, exports volume to this country is constantly enlargement and what is more crucially, the company's market share demonstrates the biggest growth among the main competitors (table 2.9). The presence growth is a bright testimony of the enterprise competitiveness and it provides a sense about "ex-post" competitive stance, therefore it also is included in the overall index.

Table 2.9

### The Competitiveness Index on the Basis of Market Share Growth Rate in 2017

№		Name of the company			
		PJC "Krinita"	PJC "Lidskae pivo"	PJC "Alivaria"	PJSC "Obolon"
1	Market share in 2016, %	20,72	19,3	24,2	3,51
2	Market share in 2017, %	20,85	21,06	26,6	4,66
3	Growth rate, %	0,627	9,119	9,917	32,764
4	<b>Index of market share growth rate</b>	<b>0,006</b>	<b>0,091</b>	<b>0,099</b>	<b>0,328</b>

Source: created and calculated by author based on the [10; 14; 18; 19], the base for calculation are given in the Annex Q

The summarizing figures of all indexes which are provided above and the results of final integral indexes of the companies' competitiveness are presented in the table 2.10.

Table 2.10

### The Summary Table of the Competitiveness Assessment of the Enterprises in the Belarusian Beer Market

№	Name of the index	Name of the companies				Weight of the index, %
		PJC "Krinita"	PJC "Lidskae pivo"	PJC "Alivaria"	PJSC "Obolon"	
1	Index of financial position and stability	0,48	1,19	2,18	0,72	20
2	Index of production effectiveness	0,18	1,28	2,64	1,70	35
3	Index of influence on sales	3,55	4,35	4,50	3,25	40
4	Index of market growth rate	0,006	0,091	0,099	0,328	5
5	<b>Total index of enterprise competitiveness</b>	<b>1,578</b>	<b>2,431</b>	<b>3,164</b>	<b>2,056</b>	

Source: calculated and developed by author

According to the calculations, PJSC “Obolon” receives the total mark 2,056 and due to this result, the company has taken the third place overtaking the PJC “Krinita” – the largest enterprise in the brewing industry in Belarus – which index is by 30% less. The best result has been achieved by the company PJC “Alivaria” – 3,164 points as it has demonstrated the finest figures of all indexes besides the index of market share growth rate. The second place is occupied by the subsidiary of Finnish company Olvi Group PJC “Lidskae pivo” which have a more stable financial position and better performance in a customer-focused value proposition in comparison with PJSC “Obolon” and notably the power of this competitor has intensified after the active rebranding which has started since 2016.

To sum up the evaluation of the competitiveness which was made, it can be concluded that PJSC “Obolon” has the ability even in the face of limited opportunities to compete effectively in Belarusian market and moreover, it can exceed the powerful competitor which is confirmed by its third position. However, different internal problems exist and the company should find a solution if it wants to remain and profoundly gains a foothold in this market.

In the condition of limited open information about financial results and technological competitive advantages of the rivals in foreign countries, the solution of this problem may be using such method of the enterprise’s competitiveness assessment as the evaluation of the product competitiveness. Many scientist and practitioners defined this method as one of the most effective because mainly through the products, overall competitiveness is assessed.

In order to perform product competitiveness evaluation of the PJSC “Obolon” was chosen the Lithuanian market. Such choice of the country driven by several reasons among which the facts that among European Union countries, Lithuania is the biggest importer of Ukrainian beer [20], and it has the biggest share in the PJSC “Obolon” geographical structure among EU-countries and moreover, Lithuania is the third largest market for the company.

In Lithuanian market is available a great diversity of the beer of different trademarks, types, bottles and alcohol content. In order to make a comparison, the beer

must be chosen of the same type (lager or ale). It is also mistakable to compare the beer of different alcohol by volume (ABV) because the consumers of light and strong beer are in different target groups. To precise comparison it is better to take the beer in the same volume and type of bottle. Consequently, it was decided to chose lager light beer with alcohol content 5,0% in 0,5 liter cans.

Among the beer which the company is sold to Lithuanian consumers, was selected the beer “Horns&Hooves” because it has 5,0% ABV and more importantly this beer is produced precisely for this market and has already had approximately 3% of volume sales (Annex R) despite it was launched only a few years ago and it demonstrated one of the biggest growth rate (49%) among other beers which the PJSC “Obolon” deliver to this market.

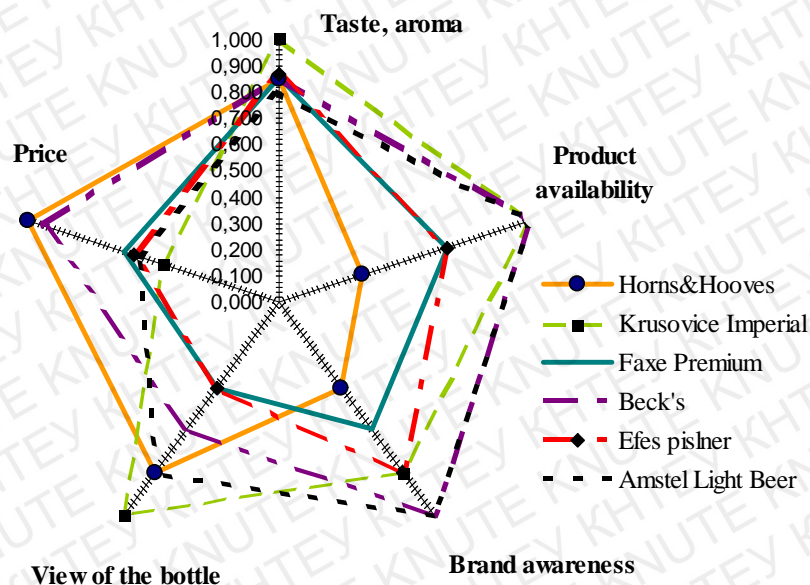
As the beer produced by PJSC “Obolon” is imported beer for Lithuanian market, is preferable to make firstly an evaluation of the competitiveness by comparison with other imported beers. To such purpose was chosen beer which is manufactured in five countries – Czech Republic (Krusovice Imperial), Denmark (Faxe Premium), Germany (Beck’s), Russia (Efes pilsner) and Netherlands (Amstel Light). Two of them belong to Heineken Group (Krusovice Imperial and Amstel Light), Beck’s is the brand of AB InBev, Efes is the trademark of Anadolu Efes and Faxe is owned by Royal Unibrew. It is seen that the company, as expected, mainly faced with competitors of large transnational corporations.

Taste, brand awareness, bottle’s view, product availability and of course, the price, was selected as the most important characteristics which enable to make the evaluation and comparison of the beer competitiveness of different producers. The first three characteristics were evaluated by export methods and are based on the data which is received from three international portals about beer – RateBeer.com, Beeradvocate.com and Untappd.com. The product availability is accessed on the base of Lithuanian source Pricer.lt and the prices are received from the web-sites of the two largest Lithuanian supermarkets chains (Maxima LT and IKI).

For the purpose of product competitiveness evaluation the calculation of integral index of product competitiveness was made (Annex S) and the graphical method of



constructing polygon of the competitiveness was used (fig.2.8).



*Fig.2.8 The Polygon of Product Competitiveness among Imported Beers in Lithuanian Markets*

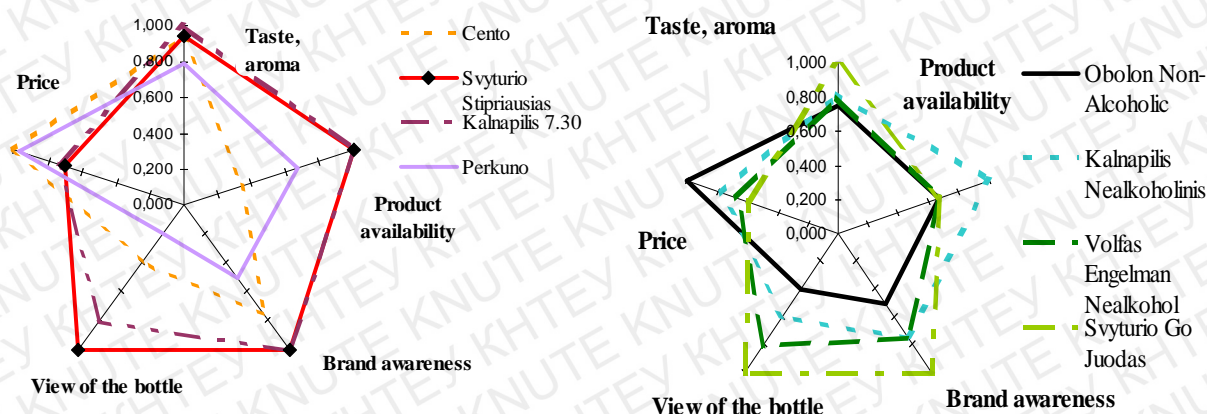
*Source: created by the author on the basis of the Annex T*

The polygon of competitiveness provides an opportunity quickly assessing the competitive position due to a clear visualization of strong and weak sides of each beer. From this graph 2.8, the main conclusion can be made – this beer can win the competitive struggle mainly due to price competitiveness. Also, the bottle's view can be defined as the competitive advantage of the company. The taste and aroma of “Horns&Hooves” is well enough. But the enterprise has two major problems – the lowest level among the defined competitors of such characteristic as brand awareness and product availability. It should be noted, that among all the above mentioned indicators the brand awareness is paramount due to the reasons that were mentioned previously. The beer of PJSC “Obolon” is known in the Lithuanian market but it is still doesn't receive enough recognition and the likelihood that the Lithuanian buyer will choose the beer of PJSC “Obolon” is much lower than choose in favor of other imported beer namely due to this reason. That is also a problem of the country of origin effect. The Ukrainian beer is exactly associated with beer of PJSC “Obolon” production which has some positive influence. However, it is quite hard to compete with, for instance, Czech or Germans beer as in consumers' consciousness the beer of this origin is



automatically better than all others. Product availability is another shortcoming of the company. This indicator means how easily the buyer can find the PJSC “Obolon” beer or in another word the availability of the beer in big supermarkets as usually the off-trade of beer occurs precisely through big retailers. But the “Horns&Hooves” is available only in the “IKI”, while the consumers can easily find the beer of competitors in several others chains.

In order to receive the broader understanding of product competitiveness of others beers which are produced by PJSC “Obolon” and, as a result, obtain deeper groundings to the evaluation of the company’s competitiveness via its products, two others polygon of competitiveness were built (fig.2.9). For these products evaluation were selected the beer of ABV 7,3-7,5%, in 1 liter PET-bottles (on the left side of the figure 2.9) and the non-alcoholic beer in 0,5 liter cans (on the right). For assessment among strong beers was selected the private label TM “Cento” beer of PJSC “Obolon”, among free alcohol beer was chosen the non-alcoholic beer under own and main trade name of the company – TM “Obolon”. In this case, as competitors was chosen beer of major Lithuanian producers (“Svyturys-Utenos Alus” (Carlsberg Group), “Kalnapilis-Tauras Group” (Royal Unibrew) and “Volfas Engelman Brewery” (Olvi group)).



*Fig.2.9 The Polygons of Competitiveness among the Lithuanians Companies*

*Source: created by the author on the basis of the Annex T*

That is important to mention that “Cento” beer is sold only in “IKI” because it is private label of this chain. And precisely due to this fact the brand awareness of this beer is higher if comparing to own company’s brands because for Lithuanian buyers this name is more meaningful and recognizable. Besides cooperation with IKI, the company

produces beer under private label also for other giant retailer in Lithuania – Maxima LT under the name “Brolijos” and “Optima”. The success of the Obolon-produced beer under the private label is confirmed by a continuous increase in its delivery volume to Lithuanian market (Annex R).

Generally, the results of these two polygons coincide with the previous one which allows reaching the conclusion that the company’s beer is weaker than the rivals’ products for several criteria among which are the problems with branding, promotion and not-diversified places for sale. But undisputed company’s privilege on the Lithuanian market is its price.

The separate analysis of the price competitiveness of all PJSC “Obolon” beers indicates that the prices even with the all taxes and duties are lowest for end consumers in Lithuanian market (see the table in the Annex U). To some extent that is can be defined as a negative aftermath for the demand on the Obolon-produced beer because the increased incomes of the buyers stimulate them to buy more prestigious and expensive beer. But the rising of excise duty on the beer during last year in Lithuania hampered sales of mid-priced segment domestic lager significantly. And according to Euromonitor [31] some consumers of local mid-priced domestic beer brands, such as Svyturio or Kalnapilis Original shifted to economy lager, which remained at or below the level of 1 EUR per unit. Consequently, the company has a great competitive advantage as a low price for the beer of good quality.

As was mentioned at the beginning of this part, the company’s competitiveness evaluation must be made in each foreign market separately, but nevertheless, it is possible to identify competitive advantages and company’s shortcomings, as well as opportunities and threats, which are active irrespectively from the place of operating. The most effective and illustrative method that allows making such assessment of competitiveness in foreign markets is the method of strategic analysis and, namely, the SWOT-analysis. To the purpose of defining overall competitive stance of the PJSC “Obolon” in foreign markets, this framework was used and the result of comprehensive research of internal and external determinants of the PJSC “Obolon” competitiveness is displayed in the table 2.11.



Table 2.11

**SWOT-analysis of PJSC “Obolon” in Foreign Markets**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>- economies of scale which enable established highly competitive price in foreign markets despite logistics and duties;</li> <li>- full automatization of brewing process on modern German equipment (Ziemann brewing system, four powerful filtration plants made by KHS);</li> <li>- significant production capacity (a rated capacity of plant is 11 million hectoliters of beer per year which made PJSC “Obolon” the largest brewery in East Europe; Europe’s largest bottling filling line with maximum capacity of 110 000 glass bottles per hour; expansion of the keg filling line from 400 keg to 1000 keg per hour; tripled the capacity of alcohol-free beer production plant);</li> <li>- own artesian wells of the Jurassic aquifer;</li> <li>- availability of own malting plant (it is one of the most up-to-date facilities in Europe and its production capacity is 120 000 tones of malt per year which enable even make export shipments of this malt);</li> <li>- availability of own plant of PET-preforms production;</li> <li>- sustainable long-term relationship with suppliers of raw materials as well as with existing buyers in foreign markets;</li> <li>- diverse product assortment (beer of different trademarks, with different alcohol volume, oriented on different price segments; availability of flavored beer and non-alcoholic beer);</li> <li>- using during production resource-saving and zero-waste technologies which has double positive effect – minimize costs of production and create a positive image among consumers as the ecology-responsible company (it is quite important characteristic especially for consumers from developed countries like EU, Canada);</li> <li>- an extensive expertise in organizing export activities which is long for almost 30 years;</li> <li>- availability of special department which is responsible for exports organizing;</li> <li>- high quality standards are imposed in the company (availability of own in-house cutting-edge labs which ensure ongoing product quality analysis at all stages of production);</li> <li>- products are free of hazardous and GM components;</li> <li>- the company certify four management systems in compliance with international standards (ISO 9001:2015; ISO 22000:20 05; ISO 14001:2015; OHSAS 18001:2007) and successfully passed external international certification audit by the Germany company “DEKRA Certification Kft” in 2014.</li> </ul>	<ul style="list-style-type: none"> <li>- the unstable financial position of the enterprise;</li> <li>- a scarcity of own financial resources to finance business processes and invest into improvement of the company’s competitiveness;</li> <li>- significant dependence from external creditors and loans;</li> <li>- incomplete capacity utilization;</li> <li>- high degree of dependence from only a few foreign markets despite the geographical diversity of export destinations;</li> <li>- insufficient brand awareness and recognition among consumers in foreign countries;</li> <li>- neglecting of licensing and investment entry modes in foreign markets and the development of one primary entry mode to foreign markets – exporting;</li> <li>- the company has problems with product availability in already existing foreign markets (the spread of product is limited to some regions or some chain of supermarkets in one country);</li> <li>- poor feedback with foreign buyers;</li> <li>- lack of efficient marketing skills and capabilities in overseas markets.</li> </ul>



*Continuation of the Table 2.11*

Opportunities	Threats
<ul style="list-style-type: none"> <li>- great growth potential of beer market in developing countries of Asia, Africa, South America;</li> <li>- increasing consumption and demand on low and non-alcoholic beer (among health-conscious consumers; among buyers in Muslim countries);</li> <li>- rising demand on non-standard taste beer (mostly on flavored beer);</li> <li>- significant development of such highly-profitable segments as premium and super-premium beer (mainly in countries of EU, North America);</li> <li>- decreasing of excise duties precisely on beer in importing countries as measures directed to reduction of consumption of drinks with higher alcohol content (ABV) or increasing excise duties on other beverages which are substitutes for beer;</li> <li>- stabilization of foreign currency rates and as consequence, price stabilization on energy, fuel and raw materials;</li> <li>- mitigation of foreign exchange regulation;</li> <li>- customs duties reduction and simplification of procedure during foreign economic activity;</li> <li>- lowering of trade barriers at the attractive foreign markets;</li> <li>- good harvest of barley malt and hops and favorable world price on them;</li> <li>- decline of interest rate that enhances credit accessibility.</li> </ul>	<ul style="list-style-type: none"> <li>- existing powerful competitors on all foreign markets where the company operates (main competitors are corporations with transnational capital which have manufacture facilities all around the world);</li> <li>- increasing popularity of “craft” beer among consumers;</li> <li>- the downsizing of the world’s beer consumption;</li> <li>- the possibility of consumers switching to substitutes products (in developed countries – to wines, cognac, whiskey; in developing countries – to vodka, gin etc);</li> <li>- continue of increasing price of raw materials, fuels, energy etc;</li> <li>- adopting new legislative regulations and restrictions in the importing countries (for instance, tightening advertising restrictions; imposing new requirements about packaging materials, mainly directed to PET-bottles due to ecological issues etc);</li> <li>- increasing excise duties and VAT in importing countries as this led to direct rising of final price for end-consumers;</li> <li>- implementing new non-tariff measures by foreign states;</li> <li>- possible changes in national law concerning foreign economic activity issues;</li> <li>- slumping of domestic demand which leads to limiting opportunities to finance measures directed at enhancing the competitiveness of the enterprise;</li> <li>- significant fluctuations of Ukrainian national currency;</li> <li>- continuation of existing measures of foreign exchange regulations and control or even their tightening;</li> <li>- expensive banking loans due to existing high interest rate and possible increase of it (PJSC “Obolon” needs credit funds for continuous improvement).</li> </ul>

Source: developed by the author

In summary, it should be mentioned that the results of all tools which were used in this work with the purpose of assessing the competitiveness PJSC “Obolon” in foreign markets, is confirmed the availability of extensive competitive advantages which enables the company to have a strong competitive position in foreign markets. To this also must be added the enormous basis for further development which is offered by the world brewing industry in both new and existing overseas markets. However, the future success of the PJSC “Obolon” in large measure depends on the improvements of the all or at least some existing internal problems and in the case if the company will take actions which are directed on risk minimization of external threats.

## CONCLUSIONS TO THE PART II

PJSC “Obolon” is Ukrainian large-scale beverage enterprise which products are known in five continents and which is listed among 40 world’s biggest breweries. Besides beer, the company has been producing and selling both on domestic and foreign markets low and non-alcoholic drinks, other goods besides beverages like barley malt.

The analysis of PJSC “Obolon” financial-economic activities detected that during 2013-2017 years the enterprise was in a precarious financial position, was in heavy reliance on borrowed financial resources due to the insufficient amount of own capital and a range of outwards factors have been negatively reflected on the company’s net financial results.

PJSC “Obolon” is actively participating in foreign economic activity via export entry modes. The company has been receiving at least 10% of its total net sales directly from trading with overseas countries and during all five years its exporting activity has been cost-effective and economically feasible.

Numerous changes and challenges of external environment implicitly or explicitly influenced the competitive stance of the PJSC “Obolon” in foreign markets. And despite a range of threats like powerful transnational breweries, tightening legislation, costs increasing etc, the comprehensive review of the world beer market which was made in this Part, enable to make a conclusion that the brewing industry offers a range of opportunities for further growth of the PJSC “Obolon” in the global marketplace.

The research which was conducted in this work detected that the PJSC “Obolon” has a range of extensive competitive advantages which enable to compete successfully in foreign countries. Among them, the up-to-date powerful production facilities, utilization of resource-saving technologies, availability of high-quality raw materials and full compliance with quality standards could be highlighted. Nevertheless, in order to maintain and strengthen the current competitive position in the existing foreign markets and ensuring the achievement of desirable competitiveness level in new export destinations, several existing internal problems must be remedied.



### **PART 3. WAYS OF INCREASE COMPETITIVENESS OF THE ENTERPRISE PJSC “OBOLON” IN FOREIGN MARKETS**

#### **3.1. Development of a Set of Measures to Improve the Competitive Position of PJSC “Obolon” in Foreign Markets**

The company's competitiveness is, by its very nature, dynamic and inconstant. Hence, the strengthening of the competitive position, especially in foreign markets, must be an obligatory and continuous process, if the company wants to remain to be an active participant of foreign economic activity. Eliminations of existing weaknesses, introducing new proposals to market and other such measures can be targeted on the enhancement of the competitiveness.

According to findings of research that was made in Part II of this work, the PJSC “Obolon” has a number of strong competitive advantages which it could use in order to conquer overseas markets. Although, several internal weak sides considerably hinder efficient utilization of available strengths.

In order to improve competitive stance of the PJSC “Obolon” in foreign markets the set of measures must be adopted. The current scarcity of own financial resources, large debt to outside creditors hamper PJSC “Obolon” to diversify foreign economic activity by other entry modes to foreign markets besides exporting. To this reason the company should focused precisely on increasing effectiveness of its export activity. As the company does not need to make investments to change obsolete facilities, since all capital-intensive, basic equipment is modern and cost-effective and products complies with high-quality standards, the enterprise should take actions which will help to:

- improve the company's brand awareness;
- expand sales by partnership diversification, by move into new geographical areas;
- achieving growth by targeting new customers in existing markets.

In the era of information technologies company has an infinite number of possibilities of conducting international trade. Nowadays initial contacts with foreign partners, as well as feedback with overseas end-consumers without any intermediaries,

occur via the Internet. Companies in the XXI century must strongly concentrate their attention on the development of an efficient website. If the company is active participant foreign economic activity, usage of such tool is simply obvious as, via information, which is posted on the webpage, the foreign buyers (no matter intermediaries, wholesalers, retailers or end-users) get a basic knowledge about the company and its products. Especially, the role of the website is increased in case of legislative limitations on alcohol advertising which differ from country to country and in such situations, it also plays a role of promotion which helps inform and persuade end-consumers to make a decision in favor of goods manufactured by PJSC “Obolon”.

At current moment PJSC “Obolon” has its own website which is available on easy-to-find web address – <http://obolon.ua/>. This page is available in three languages – Ukrainian, Russian and English. But this site is not adaptive for overseas partners and buyers as English version is a simple translation of its Ukrainian version which is mainly directed on domestic consumers, contains range of redundant data (like information about vacancies etc) and does not take into account the specificity of foreigners’ needs.

It is important to mention that on the valid web page is presented useful and necessary information (for instance, the history of the company, the basic data about products, the section of corporate responsibility practices etc).

However, the analysis of existing information reveals that, for instance, sustainable development reports are out-of-date (the last one was published only in 2015) and has not been updated or even not presented in the simplified short-size view. Another example of the existing gaps and scarcity of necessary information may be the data about products – its number is limited only to Ukrainian assortment and the data which is presented consist only short description (for instance, for beer is provided information about alcohol by volume, solids content in original wort and only few words about its taste and aroma but exact data about water, hops or barley malt from which the beer is produced simply absent).

Hence, the website in the current look does not fulfill its function completely and makes a neutral or even negative impact on the company’s competitiveness. In order to

remedy these shortcomings it is proposed to change the content, as well as visualization, of English-language page of the website precisely to foreign stakeholders. The timeline of developing a new version of this page is the January-February 2019.

This new webpage must carry out simultaneously twofold tasks – 1) satisfy the needs of end-consumers in foreign countries and 2) attract the intermediaries and motivate them to start cooperation with the company.

For achieving these objectives it is proposed to make such transformations in the content. Firstly, in the current version, the information about the enterprise's history is overloaded and inconvenient during reading because the users should flip through several pages. Therefore, it is offered to post the text on one page and the visualization must be changed, desirable to add several photos which will confirm the text theses. Also, the present variant of history covers basically the company's activities in Ukraine, but for foreign users, it will be also interesting to discover how the company develops its export. Hence, the new version of the webpage must provide the opportunity for users, apart from general history, to find out also about export history separately.

A brief insight of the company's advantages, as well as information about the origin of basic ingredients, must separately be highlighted in the main page in the English-version. Because the data which can really bring benefits for the company, like, for example, information about exploitation of four powerful water filtration system or permanent functioning of four labs which take control over production and ready-made products, is rather difficult to find on the present web page.

The next proposal is to create the world map where all countries with which the PJSC "Obolon" has been already cooperating will be marked. This map must be central and must be seen at once the users opened the English-version website. More importantly is that this map will be not only the visualization of the number of states where the company's products are available but all information about export to each country will be opened after the users will choose the country on this map. It will be the data about the time (years) during which company makes shipments to that country, the graphs of dynamics (in liters or deciliters), information about all products which are sold in this particular country because the product assortment differs from country to



country and places where they are sold (the supermarket chains where the buyers can find the PJSC “Obolon” products). The consumers will have also a possibility to receive details about each product after they click on it. Such construction of this part of the website will enable not to glut the initial web page by information because only thanks to step-by-step actions consumers if they so desired, will obtain comprehensive knowledge in which they are interested.

In the case of company’s desire to achieve such objectives as increase brand awareness and awareness of the existence of the company, attracting new customers, choice must be in favor of such promotion mix components as advertising or/and public relations. But taking into consideration the company’s lack of own financial resources and existing number of limitations concerning advertising campaigns in foreign countries, for PJSC “Obolon” it will be effective to use namely public relations elements for achieve these purposes and increased its competitive stance.

Precisely to this, it is offered to create and placed on the company’s website a short English-language film (up to 5 minutes) which will display the major aspect of the company’s activities and achievements. The company has already provided an opportunity to visit the plant facilities and to see with own eyes the unique brewing system, the largest fermentation tanks, powerful bottling lines etc. That is also one of the elements of public relations but the usefulness of utilization such tool is quite limited if use it towards foreigners. And in such circumstances proposed short film will play the replacement role of such tours. In order to correct the text overabundance in the current website, it is offered to add, besides general overview film, several others smaller videos (up to 1-2 minutes) which will cover some certain aspects of enterprise’s activity in details. It’s desirable to include also a few separate brief videos about core brands. Hence, the web page owing to offered videos will be looked lively, be informative and interesting for foreigners regardless of this will be end-consumers or future business partners.

Special attention should be paid to the content of the link for partnerships. In the current version, this link is separated from others and that is must remain in the new version.

However, it also should be changed and expanded because presently it contains only world map with not entirely clear notations and the list of contacts of export managers. It is proposed to diversify this part by special developed presentation brochures which will contain basic information about the company and detailed information about products, about the possibility of production under private label, but what is, more importantly, they must also contain the examples of the company's success in other foreign markets, comments of partners in existing markets about company. These presentations must be visualized via graphs and tables. The main purpose of these brochures is to give a confirmation of the reliability of the PJSC "Obolon" as counterparty and prove the demand on the company's products in other countries. For the purpose of better perception by foreigners, these presentations must be available in five languages – English, Russian (oriented on the countries of former USSR), French (oriented on European and African countries), Spanish and Portugal (oriented on European and Latin America region). Accordingly, it must be made the professional translation of these presentations.

All the web site content must continuously be updated and news, all changes in product assortment etc must timely be loaded to the webpage, as well as business proposal presentations which are sent to possible foreign importers must be renewed at least once a year. Thereby, it is a continuous process and the precise date of its final realization simple cannot be defined as well as each year the budget must contain expenditures on these purposes. Also PJSC "Obolon" can annually add the short report (up to 2 pages) about the major achievement during the last year of the company in all spheres (from data about new importing countries to the figures of efficient use of resources or description of actions towards decreasing negative impact on the environment) because this information will favorably impact on the PJSC "Obolon" competitive stance. The PJSC "Obolon" has been already spending annually for the services of constant website maintenance, but considering the abovementioned problems with website updating, it is proposed to enhance current website maintenance package and additionally increase existing spending on 140 000 UAH annually.

In order to fill the gap in the existing company's problem with feedback with end-

buyers, it is proposed to start using two methods – indirect and direct. The indirect method is a continuous monitoring by export managers of the comments and appraisals which are available in such websites: RateBeer.com, Beeradvocate.com and Untappd.com. These three web pages are defined as the world-recognized most-visited sources for beer information with millions of ratings of about more than 500 000 beers. The main benefits of these resources are that they are considered being an informative and unbiased source of directly consumers' opinions, it provides an opportunity to discover valuable information not only about own products but make complete analyses of competitors' ones.

Also, the company can use these tools as the method of identification of new trends and preferences and consequently, these resources give the grounds to researches and further introducing new beer which will correspond with the new market needs. And what is important is that these sources are free of charge and any payments to make market research in this way are not levied. The direct method is the explicit contacts of the company with buyers of Obolon-products in foreign markets via the utilization the possibility which provides the company's website. It is proposed to create a special questionnaire, and give the opportunity to the visitor of the website to make the choice between participation or not in such survey. The possible version of such questionnaire is presented in the Annex V.

Another innovation which is called for the implementation is to start placing QR codes on the bottles. This measure is diverse in the utility which it can bring to the company because it can be used as the direct reference to the company's web site, as the link to some promotional videos about the company's activity or about the product itself, as the tool of assessing particular product etc. The benefits of QR codes are that it is directly a part of the packaging, provides quick access of end-consumers to information which the company wants to bring to them. Moreover, QR code itself may play role of an attractive sign of the packaging because nowadays the possibility of creating original distinctive codes is available and taking into the account what encouraging role in purchasing decisions play the packaging, the usefulness of QR code is obvious. Usage of the QR code explicitly has positive influence on the brands'



strengthening which is quite necessary for improvement competitive position of the PJSC “Obolon” in foreign markets. The QR-code creation is required quite low financial investments – from 13 000 to 17 500 UAH annually.

The oriented expenses on all above-mentioned measures are given in table 3.1.

*Table 3.1*

**The Costs on Proposed Measures which Will Enhance the PJSC “Obolon” Competitiveness in the Foreign Markets for the Period 2019-2021 Years**

№	Name of the measure	Sum of the measure, UAH		
		2019	2020	2021
1	Re-launching of English version of the company’s website	150 000 UAH	-	-
2	Additional costs to annual website maintenance	140 000 UAH	140 000 UAH	140 000 UAH
4	Creation of the company overview film (up to 5 minutes)	9 000 UAH	-	-
5	Creation of promotional videos (up to 1 minute, 4 videos)	20 000 UAH	23 000 UAH	27 000 UAH
6	Creation of the special design of the presentation brochures	4 000 UAH	4 600 UAH	5 300 UAH
7	Costs on translation of the presentation brochures on Spanish, French, Portuguese and English languages	10 000 UAH	11 500 UAH	13 225 UAH
8	Annual visual QR-code generator	13 000 UAH	15 000 UAH	17 250 UAH
<b>Total sum of proposed measures, UAH</b>		<b>346 000 UAH</b>	<b>194 100 UAH</b>	<b>202 755 UAH</b>

Source: created by the author, the prices is based on the Internet sources

Nowadays the company exports its products to many countries all around the world, but for further development, it just needs to continue diversification process and find new business partners in new geographical regions, as well as in existing countries. The best method which enables to find and start new partnerships is participation in international trade exhibitions. Besides this, involvement in such trade shows facilitates the strengthening of brand awareness and provides opportunity to promote products.

The significant number of international exhibitions and trade fairs which are holding every year compel the company to chose and decide in which exhibitions participate in. Considering the fact, that the company’s interest is the diversification of its presence in the different world regions, it was decided to choose the most significant trade fairs with different zones of influence which enables to receive the greatest benefits for the company. The selected exhibitions which are proposed to the PJSC “Obolon” to visit in the next three year are presented in table 3.2.

Table 3.2

**The Visit Schedule and the Main Data about the Proposed Exhibitions**

№		Name of international exhibitions						
		PLMA	Africa Big 7	Anuga	Gulfood	Alimentaria	FHC China	Food Africa
1	Venue of exhibition	Amsterdam, Netherlands	Johannesburg, South Africa	Cologne, Germany	Dubai, UAE	Barcelona, Spain	Shanghai, China	Cairo, Egypt
2	Area of main influence	European region	South and Central African region	European region, American region	Muslim countries	Europe + Latin America + North Africa	Asian region	North African region
3	Number of visitors	>14 000	>14 000	>165 000	> 97 000	> 140 000	> 91 000	> 11 000
4	Number of visitors countries	151 countries	> 41 countries	198 countries	185 countries	157 countries	69 countries	56 countries
5	Stand size	9 m <sup>2</sup>	12 m <sup>2</sup>	12 m <sup>2</sup>	9 m <sup>2</sup>	9 m <sup>2</sup>	9 m <sup>2</sup>	12 m <sup>2</sup>
6	Time of visiting	21-22 May 2019	23-25 June 2019	October 2019	February 2020	20-23 April 2020	November 2020	2021

Source: created by the author, based on the data from the official websites of these exhibitions.

All these exhibitions, except PLMA, are specialized namely in the food and beverages. Since these exhibitions were chosen also on the geographical pillar, it will not be rational to visit the trade fairs with the same zone of main influence in one year. Therefore, during the selection of the time of their visiting this aspect has been taking into account. The decision to take participation precisely in these international exhibitions is attributable to their characteristics. Among them Anuga, Alimentaria and Gulfood can be defined as the biggest and the most important industry trade shows in the world. Despite all of proposed exhibitions are international, others three are more regional-oriented which is confirmed by the less number of visitors from different countries. But nevertheless, they are really leading and central exhibitions in their region and in order to achieve success in Asian (FHC China) and African region (Africa Big 7 and Food Africa) such choice of the trade fairs is the most appropriate.

The special attention must be focused on the Gulfood as here can be exhibited only non-alcoholic beer. The PJSC “Obolon” from year to year increase the deliveries of this type of beer to overseas countries. But participation namely in this exhibition can be the real impetus for the company’s geographic expansion with its non-alcoholic beer because the Gulfood is the major trade event which enables to make a presentation of the products to the prosperous countries of the Gulf and Middle East region.

Among all exhibitions the PLMA must be considered separately as it is devoted

to the private labels. In condition of extremely high competitiveness in matured European market and due to the high popularity of products under private label this decision can be effective measure which will help to increase sales from export. Thereby, participation in this exhibition provides the possibility to conclude a contract about selling beer under labels of such biggest retailers like Tesco, Carrefour etc.

The participation in all these exhibitions is relatively cost-intensive as it can be seen from table 3.3 in which the total expenses were calculated, although quite justifiable as will help to create long-term relations with new business partners.

*Table 3.3*

**The Expenses on the PJSC “Obolon” Participation in the International Food and Beverages Exhibitions in 2019-2021 Years**

№	Indicator	Name of international exhibition						
		2019			2020			2021
		PLMA	Africa Big 7	Anuga	Gulfood	Alimentaria	FHC China	Food Africa
1	Price of the stand	2 600 EUR	2 592 USD	3 200 EUR	5 550 USD	3 700 EUR	4 770 USD	5 336 USD
2	Administrative fee	2 500 EUR	300 USD	990 EUR	800 USD	200 EUR	220 USD	230 USD
3	Exchange rate	1 USD = 29 UAH, 1 USD = 0,8787 EUR						
4	Total costs of the exhibition itself, USD	5 804	2 892	4 768	6 350	4 438	4 990	5 566
5	Number of days	2	3	6	5	4	3	3
6	Company's representatives	1	2	3	3	3	2	2
7	Transportation costs per one person, UAH	8 000	32 000	7 000	12 000	8 000	30 000	15 000
8	Expenses on the accommodation per one person, USD	130	140	121	140	135	140	120
9	Per diem per one person, USD	41	36	50	38	39	50	36
10	Total travel and per diem, USD	447	2559	1237	1775	1350	2449	1346
11	Total expenses, USD	6 251	5 451	6 006	8 125	5 788	7 439	6 912
12	<b>Total expenses, UAH</b>	<b>181 276</b>	<b>158 076</b>	<b>174 161</b>	<b>235 636</b>	<b>167 851</b>	<b>215 730</b>	<b>200 462</b>
13	<b>Total expenses by the year, UAH</b>	<b>513 513</b>			<b>619 217</b>			<b>200 462</b>

Source: created by the author, based on the data achieved from the Export Promotion Center KCCI and from the official websites of these exhibitions

Utilization of all aforementioned set of measures will enable to boost the profitability of export and it is projected that these initiatives will provide the 3% rise of net sales from export each year from the figures of forecasted net sales from export. Thereby, the PJSC “Obolon” has an opportunity to enhance its competitiveness via several actions directed towards elimination of existing shortcomings which not require extremely large investments.



### 3.2. The Strategy of Maintaining Competitiveness of the PJSC “Obolon” in Foreign Markets

The great competition in today's global trade system causes necessity for the companies to find the ways which can help to maintain their competitive edge. One of the most effective interventions which enable to grow and reinforce formed competitiveness is to open new geographical markets. The numbers of countries in which the products of the PJSC “Obolon” can be found are increasing from year to year and this indicates the company's attractiveness and ability to compete in overseas condition with powerful competitors. The previous investigations reveal that the major distribution area of the PJSC “Obolon” is the European region (including CIS countries and EU countries) and the company concentrated its activity precisely on these markets. Although the findings which were made in Part II of this work point to the fact that nowadays most prospective markets for beer are the countries of Asian, African and South America regions. Hence, for future sufficient level of competitiveness, the PJSC “Obolon” is required to shift its focus on finding and building business ties with new foreign markets of these auspicious regions.

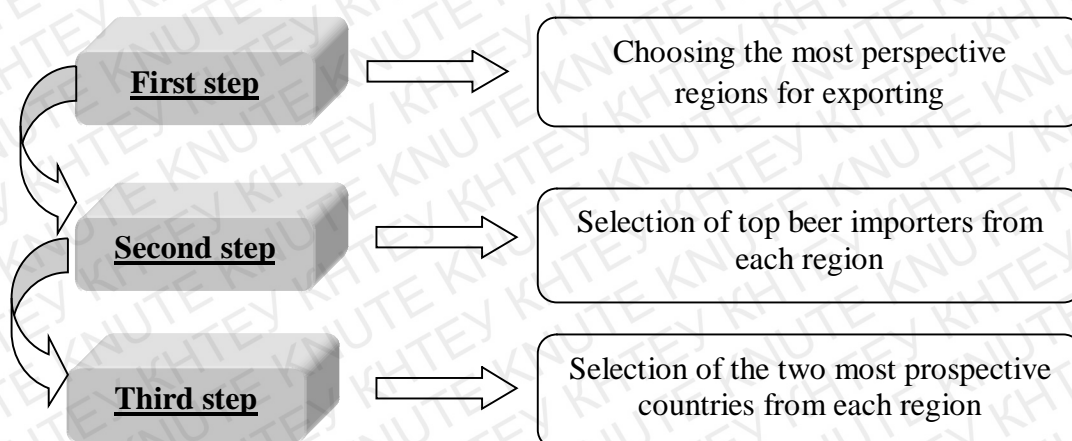
The export strategy of the PJSC “Obolon” is directed to the development of long-term partnership relations with overseas distributors. The company's aim is not conducting a one-off shipment to some country in order to be able to declare about increasing number of importing countries, but its purpose is to create deep business dealings with new partners. Prerequisite for this is a meticulous and incremental country selection process which is based on knowledge of cornerstone characteristics of the beer market which were distinguished in previous Part of this work.

Initially, it is presumed that all these three regions are equally beneficial for the company. Taking into consideration the fact that a total number of countries in these regions is more than 100 even if subtract the countries with which PJSC “Obolon” already has business relations, it is rational firstly to start selection process from the identifying the leading beer-importing countries in each region. To perform this primary selection was used the statistics data for the 2017 year which is available in the

repository of official international trade statistics – UN Comtrade Database (HS commodity code – 2203). As a consequence of screening, 23 countries were chosen – eight from South America, nine from Africa and six countries from the Asian region.

The aim of the next step is to select two countries from each region. For this purpose the information about the potential number of beer consumers play one of the substantial role. In its turn it was calculated on the basis of the data of total population which age is more than 15 years old and another necessary information are figures which indicate the beer popularity among other beverages in each country (because in some countries the share of the beer among other alcoholic beverages are so insignificant that itself a large number of legal drinking age population cannot be used as criterion for new export destination). Therefore, the countries with a greater potential number of beer consumers are the most appealing. But besides these two indicators, the GDP per capita, as well as its annual growth, should also be included for more precise choice. That is because of existing close correlation between these figures and beer consumption – on the one hand, is not reasonable to choose countries with GDP per capita more than 27 000 USD [74] as in this case such countries will diminish their consumption of the beer even if at this moment it is still popular beverage. On the other hand, countries with a lower level of GDP per capita will increase their beer purchases only in the situation of the positive value of annual GDP per capita growth.

Thus, the choosing of new export destination for PJSC “Obolon” should be started from such subsequent steps (fig.3.1):



*Fig. 3.1 The Initial Selection Algorithm of the New Export Destination*

*Source: created by the author*

The data of the aforementioned indicators were collected and the results of the relevant information and calculations for each considered countries are shown below (in the Tables 3.4 – 3.6.).

Table 3.4

**The Analysis of South America Region Countries as the Prospective Export Destinations of the PJSC “Obolon” Beer**

Indicator	Country							
	Argentina	Brazil	Colombia	Cuba	Dominican Republic	Guatemala	Paraguay	Honduras
Total population, mln	44,27	209,29	49,07	11,48	10,77	16,91	6,81	9,27
Population aged 15+ , %	75%	77%	76%	84%	70%	64%	70%	69%
GDP per capita growth (annual), %	1,88	0,19	0,91	4,24	3,40	0,75	-0,50	3,06
GDP per capita, USD	14401,97	9821,41	6301,59	7602,26	7052,26	4470,99	4365,53	2480,13
Percentage of beer in alcohol consumption, %	40	62	72	37	52	56	54	47
Population aged 15+, mln	33,20	161,15	37,29	9,64	7,54	10,82	4,77	6,40
<b>Potential consumers of beer, mln</b>	<b>13,28</b>	<b>99,92</b>	<b>26,85</b>	<b>3,57</b>	<b>3,92</b>	<b>6,06</b>	<b>2,57</b>	<b>3,01</b>

Source: created and calculated by author on the basis of [66; 108]

From the Table 3.4 it can be seen that Brazil and Colombia have the largest number of potential beer consumers, the GDP per capita are 9 821,41 USD and 6 301,59 USD respectively and their annual growth rate is a positive value (more than 0). Therefore, it can be concluded that for further research namely these countries should be chosen as representatives of the South America region.

Table 3.5

**The Analysis of Asian Region Countries as the Prospective Export Destinations of the PJSC “Obolon” Beer**

Indicator	Country					
	Cambodia	Japan	Malaysia	Vietnam	Kazakhstan	Thailand
Total population, mln	16,01	126,76	31,62	95,54	18,04	69,04
Percentage of population aged 15+ , %	69	87	76	77	73	83
GDP per capita growth (annual), %	5,19	1,88	4,44	5,73	2,6	3,64
GDP per capita, USD	1 384,42	38 428,1	9 944,9	2 343,12	8 837,46	6 593,82
Percentage of beer in alcohol consumption,	88%	18%	61%	91%	30%	28%
Population aged 15+, mln	11,05	110,28	24,03	73,57	13,17	57,30
<b>Potential consumers of beer, mln</b>	<b>9,72</b>	<b>19,85</b>	<b>14,66</b>	<b>66,94</b>	<b>3,95</b>	<b>29,80</b>

Source: created and calculated by author on the basis of [66; 108]



The result of analysis of Asian region (table 3.5) is shown that Japan must be excluded from the selection due to its level of GDP per capita exceeds the presumed threshold. The annual GDP per capita growth is high in all countries. Hence, all other countries of this region are suitable for the consideration. But according to the criterion of potential beer consumers, for the PJSC “Obolon” the most prospective Asian countries for future export delivering are Vietnam and Thailand.

Among African countries (table 3.6), the best results are demonstrated by South Africa and the Democratic Republic of Congo, which consequently is chosen for the next selection stage.

*Table 3.6*

**The Analysis of Africa Region Countries as the Prospective Export Destinations of the PJSC “Obolon” Beer**

Indicator	Country								
	Botswana	Cameroon	Dem.Reb. Congo	Equatorial Guinea	Mozam-bique	Namibia	South Africa	Tanzania	Zambia
Total population, mln	2,29	24,05	81,34	1,26	29,67	2,53	56,72	57,31	17,09
Population aged 15+ , %	68%	58%	54%	61%	55%	63%	71%	55%	54%
GDP per capita growth (annual), %	0,51	0,54	0,38	-6,75	0,78	-2,89	0,07	3,72	1,02
GDP per capita, USD	7595,6	1446,7	457,85	9850,01	415,72	5227,18	6160,73	936,3	1509,8
Percentage of beer in alcohol consumption, %	48	44	39	83	79	60	56	12	36
Population aged 15+, mln	1,56	13,95	43,92	0,77	16,32	1,59	40,27	31,52	9,23
<b>Potential consumers of beer, mln</b>	<b>0,75</b>	<b>6,14</b>	<b>17,13</b>	<b>0,64</b>	<b>12,89</b>	<b>0,96</b>	<b>22,55</b>	<b>3,78</b>	<b>3,32</b>

Source: created and calculated by author on the basis of [66; 108]

Thus, with the help of steps of initial selection six countries were chosen. In order to make final decision-making about one country with which PJSC “Obolon” should start cooperation in order to maintain and enhance its competitive edge, a more deep comparison between these six countries must be done. For this purpose, the extended list of criteria was used, among which the indicator of the growth rate of beer consumption plays the most sufficient role. Other indicators which are also inserted characterize the general degree of favorable conditions for the businesses in these countries. The prior data together with new indicators for all previously selected countries are displayed in the summarized table 3.7.

Table 3.7

**The Comparison of Possible Export Markets of the PJSC “Obolon”**

№	Indicator	Latin America region		African region		Asian region	
		Brazil	Colombia	Dem.Reb. Congo	South Africa	Vietnam	Thailand
1	GDP per capita growth (annual), %	0,19	0,91	0,38	0,07	5,73	3,64
2	Population aged 15+, mln	161,15	37,29	43,92	40,27	73,57	57,30
3	Potential consumers of beer, mln	99,92	26,85	17,13	22,55	66,94	29,80
4	Growth rate of beer consumption, %	-2,7%	3,0%	-	2,4%	7,4%	1,5%
5	Logistics performance index	3,09	2,61	2,38	3,78	2,98	3,26
6	Business extent of disclosure index	5	9	7	8	7	10
7	Ease of doing business index	125	59	182	82	68	26

Source: created and calculated by author based on data from [65; 66; 108]

For the possibility for comparison and for more illustrative defining the most attractive country, each indicator is transformed into points (table 3.8). The range of points corresponds to the number of countries which respectively vary from 1 to 6 points. But such transformation is not used for two indicators – logistics performance index and business extent of disclosure index because they can be included in the total index without any ranging. Also, for precise comparison for each indicator has been chosen the weight of importance.

Table 3.8

**Ranging of Possible Export Markets of the PJSC “Obolon”**

Indicator	Latin America region		African region		Asian region		Weight of importance, %
	Brazil	Colombia	Dem.Reb. Congo	South Africa	Vietnam	Thailand	
Rate of annual growth of GDP per capita, (1-6 )	2	4	3	1	6	5	15
Rate of potential consumers of beer, (1-6)	6	3	1	2	5	4	25
Rate of growth rate of beer consumption, (1-6)	2	5	1	4	6	3	30
Logistics performance index	3,09	2,61	2,38	3,78	2,98	3,26	10
Business extent of disclosure index (1-10)	5	9	7	8	7	10	10
Rate of Ease of doing business index (1-6)	2	5	1	3	4	6	10
<b>Total index</b>	<b>3,41</b>	<b>4,51</b>	<b>2,04</b>	<b>3,33</b>	<b>5,35</b>	<b>4,58</b>	

Source: created and calculated by author

As a result of calculation, the total index for each country was received and only now the final conclusions can be made. According to these, Vietnam is the most

attractive new foreign destination for PJSC “Obolon” which total index is accounted to 5,35 points, the second place obtains also Asian country – Thailand which mark is on 14% less. They are both among the top-20 beer markets, although they show divergent growth trends – Vietnam remains one of the fastest-growing beer markets in the world while Thailand has remained stagnant [103].

An overall investigation of Vietnamese beer market enables to make a conclusion that particular this market is much more attractive than other sizable countries. Such findings are based on several facts among which most notably must be highlighted the next ones:

- the growth rate of the beer consumption in this country is steadily continued to rise and its figures are significantly higher than in most of the world countries;
- for the last ten years, Vietnam has moved from the 8th place in Asia in terms of the beer consumed volume to the 3rd place, following Japan and the largest beer consumed country in the world – China [65], moreover, nowadays this country is on 9th place among all countries;
- existing a vibrant beer drinking culture in Vietnam;
- beverage consumption patens in Vietnam shows that the percentage of the beer among other beverages is more than 90% and only several other countries have the same alcohol drinks preferences but they are mainly island states with a quite small population which cannot be comparable with the Vietnamese market;
- beer advertising is not prohibited in this country while advertising ban on other beverages exists. That gives an opportunity to popularize the beer of the PJSC “Obolon” on the first stages of the launching the beer on this market and also will prevent the consumption development of beer alternative products like wines;
- exist increasing demand for imported beer in this country.

All signs indicate that the beer consumption in this country will continue to growth and a range of economic, social and political factors will only facilitate this process. It is effective to make an analysis of these country-related factors with the help of the PEST-analysis which is presented in table 3.9.



Table 3.9

**PEST-analysis of the Vietnamese Market**

<b>Political factors</b>	<b>Economic factors</b>
<ul style="list-style-type: none"> <li>- political stable country;</li> <li>- a short-term political risk is low;</li> <li>- the country shifted from a centrally planned to a market economy and chose course towards liberalization;</li> <li>- it is a member of such international organizations like WTO, APEC and it is the third-largest country in the ASEAN (the Association of Southeast Asian Nations) trade block;</li> <li>- heavy taxation imposed on the beer (high rate of special consumption tax which is an excise and a high import duty).</li> </ul>	<ul style="list-style-type: none"> <li>- fast growing economy;</li> <li>- GDP growth rate is 6,8% in 2017 (even exceed the target and more than twice higher than the world GDP growth rate);</li> <li>- Annual growth of GDP per capita is higher than 4% for the last years (in 2017 it is approximately 6%) and in 3 times higher than average world figure (in 2017 – 1,97%);</li> <li>- CPI is under target 4%, indicating well-managed monetary policy and only 8 % of population define increasing food price as their main concerns;</li> <li>- Vietnam's wealth is increasing quickly (it is expected that the number of middle-income and affluent consumers to rise at an annual rate of 13% and increasing to about 33 million in 2020 – that is about one-third of the population);</li> <li>- FMCG sector demonstrate continues growth (in 2016 – 4,9 %, in 2017 – 5,4%);</li> <li>- improving consumer confidence index which is very important for FMCG and beer.</li> </ul>
<b>Social factors</b>	<b>Technological factors</b>
<ul style="list-style-type: none"> <li>- 15th largest population in the world;</li> <li>- a large share of the young population (70 percent of the population is under 35 years of age, with a life expectancy of close to 73 years and an average 1 million people enter the legal drinking age each year);</li> <li>- the median age in the country – is 30,1;</li> <li>- increase urban population (however, it is still very low – only 35%, but the potential is really significant);</li> <li>- for Vietnamese, beer consumption is part of their culture, it is manifestation of their sociality and collectivism.</li> </ul>	<ul style="list-style-type: none"> <li>- absence of hi-tech beer production;</li> <li>- territorial proximity to the technologically advanced nations in Asian region.</li> </ul>

Source: created by the author based on [101; 102; 104; 105]

As it can be seen, this analysis confirms that the Vietnamese market provides immense industry opportunities for brewing companies. However, it should be emphasized that among these factors, exists one's negative item which is connected with taxation.

Firstly, it is that imported beer taxed by a rather high rate – 35%. From the one side, it can be defined as a real obstacle, but from the other side, even with such high

import duty, that will not cause hardship for the PJSC “Obolon” beer to obtain its place in this market. That is possible due to several factors. Among which is the possibility of the company thanks to economies of scale establish such level of prices for importers that will allow them to set competitive end price even with all taxes and in its turn will enable the PJSC “Obolon” not only cover costs but receive profits. Also, the Vietnamese population has a foreign brands obsession. They in the majority prefer foreign brands to local brands as they believe foreign brands offer greater product quality and safety [33], especially if it is products from Europe. As a proof of the popularity of European beer brands can be the fact that approximately 70% of imported beer was arrived namely from countries of the European region, whilst the share of beer from neighboring China was only 1,72%. And finally, new emerged middle-income class with enough financial resources is ready to pay higher prices for imported beer.

Secondly, it is increased tax pressure on the beer via new rates of special consumption tax which since 01.01.2018 started to be 65% from taxable price (according to the Law 106/2016/QH13 which was passed in April 2016 as an amendment to existing law about taxes). But that tax is imposed on all beer regardless it is domestic or imported beer and actually, it will equally effect on all brewing companies which present in the Vietnamese market. And due to the fact that it was quite high even before the last changes and taking into consideration all forecasts, it can be concluded that this will not have a negative influence on the beer demand.

Hence, all prerequisites indicate that the Vietnamese market is an attractive new export destination for the PJSC “Obolon” which will allow the company to further consolidate its position in one of the most prospective world’s regions for brewing companies. Although, the future success of the company in this new market significantly depends from a full accounting of all peculiarities of this country. Precisely to this reason, it is necessary to develop marketing mix program specially to Vietnam.

As it was mentioned in Part I of this work, first of all, it should be decided which products are preferable to be launched into the new market. Taking into account, that Vietnamese prefer light beer (3,5-5% ABV), the delivery of strong beer with higher contains alcohol which is presented in company’s product assortment is not reasonable.

It is important to mention that the reason which can motivate Vietnamese buy new beer is their perception of the name of trademark. For them, as well as for Chinese, the name in Latin is associated with Europe and as consequence, with high quality. Therefore, for this market there is no necessity to adapt or create special local brand, instead it is better to enter this country namely with the company's own brands. It is proposed to deliver beer under two trade names – the flagman company's brand TM “Obolon Light” and youth-oriented brand TM “Hike”. Precisely the number of young people in the structure of the Vietnamese population prompts to choose among other brands of the company portfolio namely these two beers.

Packaging type and its design is another crucial decision for the company's future competitiveness which must be made. Design of the packaging should not be changed, as the colors of “Obolon Light” and “Hike” bottles don't bear negative meaning. PJSC “Obolon” has an opportunity to sell these beers in glass and can bottles (for the volume of the bottle – 0,5 liters which are the most popular quantity in Vietnam). But owing to the fact that in Vietnam the cans, in contrast to Western countries, are considered as the special and premium package, which grounds a higher price [34] even if beer itself is not consists of more expensive ingredients, it will be more reasonable to choose cans. One another proof in favor of this type of packaging is that Vietnamese consumers prefer to drink chilled beer and for this purpose, cans are more convenient as the beer cools faster in cans than in glass bottles. Moreover, it is simply easier for transportation as there is no risk of the bottles' broke unlike to glass packaging. Also, the cans may be grouped at multipacks of three or six bottles and can be sold under the fewer prices than each bottle separately. And such promotional tool will give more incentives for the Vietnamese to buy PJSC “Obolon” beer because they like to drink beer collectively, among friends etc. Thus, from the all mentioned above, can be concluded that will be more rational to introduce beer into this market namely in cans.

It is proposed to supply beer by two means of transport – by road to Odessa, and then by sea to the Ho Chi Minh. The shipment of goods will be performed under Incoterms 2010 on CFR (“Cost and Freight”) terms. The transportation by maritime it is the only optimal way to deliver products to Vietnam. Moreover, as it is known, that is



the most cost-effective choice. For instance, the price of the freight and loading of the one delivery of 1800 packages with 43 200 cans of beer the gross weight of which is 22 500 kg costs approximately 1 000 USD (the end price may fluctuate plus or minus 200 USD which depends from the season of the delivery), in its turn, the price of transportation of this quantity to Odessa will cost 800 USD.

PJSC “Obolon” has much more opportunities to be sold its products in big cities rather than in small towns or villages. That is due to several reasons. Firstly, the preferences of the urban population are more oriented on foreign products. Secondly, the advantages of selling in the cities stem from the fact that in Vietnam, consumption in urban areas is 1,6 times higher than in rural, and the obvious tendency of continuous urbanization rise only confirmed the rightfulness of such decision. Thirdly, middle-income class concentrated mainly in the big cities due to higher salaries, consequently, they have more possibilities to buy the Obolon beer which will be anyway more expensive than local ones. Also, nowadays, it is not difficult for Vietnamese to find imported beer in the supermarkets but modern retails mainly are actively developing in big cities. In its turn, the choose of namely Ho Chi Minh as a port of ultimate destination is owing to the fact that in such way, goods will be at once delivered to the one of the largest city in Vietnam. Moreover, it is located in Southern Vietnam where a population is classified as consumers who are more open for novelties and ready to try new brands including foreign, while, for example, Central Vietnamese prefer mostly local brands [74].

Promotional measures are extremely important in case of launching products in new markets, notably in foreign markets. Beer advertising and use of other promotional tools are not prohibited in Vietnam. Consequently, the PJSC “Obolon” should use such opportunity and commence advertising campaign with the purpose of the awareness with the company’s products among Vietnamese. A special budget must be allocated to achieving this objective. It is proposed to program the largest advertising budget in the first year, and then gradually diminish this sum. It is related to the fact that the main burden of popularization must be in the early period of product launch in order to enlighten consumers about emerging products. The advertising on television is the most

effective and simultaneously the most expensive marketing tools in Vietnam. For a successful start, it is desirable to use namely this tool. At the outset, it will be more effective to pay more money for one-time advertising during prime time of top-rated televisions programs. Also, in Vietnam, the print media are an effective channel for advertising and its price in times lower than TV advertising. The PJSC “Obolon” has also opportunity to send the outdoor umbrellas and other cafe furniture with the company’s logo. That can be really powerful means in Vietnam as there is popular to drink beer in cafes and this is quite cheap and relatively long-term investments which can boost the sales of the Obolon beer in this market.

In order to see the possible results and economic efficiency of the Vietnamese market, which is proposed as a new export destination for the PJSC “Obolon”, a forecast for the next three years was compiled and presented in table 3.10.

*Table 3.10*

**The projected efficiency of the PJSC “Obolon” exporting delivery to the Vietnamese market**

№	Indicator	Years		
		2019	2020	2021
1	Delivery volume, liters	86 400	151 200	280 800
2	Quantity of bottles (cans, 0,5l)	172 800	302 400	561 600
3	Price for one bottle , USD/0,5l	0,47	0,47	0,47
4	<b>Net sales from export, USD</b>	<b>81 216</b>	<b>142 128</b>	<b>263 952</b>
5	<b>Net sales from export, UAH</b>	<b>2 355 264</b>	<b>4 121 712</b>	<b>7 654 608</b>
6	Costs of the production, USD	11 262	19 708	36 601
7	Advertising costs, USD	60 000	57 000	54 150
8	Transportation costs, USD	8 200	14 350	43 050
9	<b>Total costs of the export, USD</b>	<b>79 462</b>	<b>91 058</b>	<b>133 801</b>
10	<b>Effect of the export, USD</b>	<b>1 754</b>	<b>51 070</b>	<b>130 151</b>
11	Planned exchange rate, USD/UAH	29	29	29
12	<b>Effect of the export, UAH</b>	<b>50 872</b>	<b>1 481 026</b>	<b>3 774 384</b>
13	<b>Efficiency of the export</b>	<b>1,02</b>	<b>1,56</b>	<b>1,97</b>

Source: created and calculated by author

The costs of the production are based on the data received from PJSC “Obolon”. The transportation costs were calculated on the tariffs which had been received from such Ukrainian logistics companies as LLC “Ukrspetscontainer” and “CaryLand Logistics”. The proposed price level enables to cover all expenses in the first year with minimal revenue and receive enough profits in the following periods as it is assumed that due to all intensive measures delivery volumes will increase from year to year.

Despite that this pricing policy was established directly for importer, it nevertheless was developed with consideration of the existing end-prices of other imported beers (in average it is higher than 2 USD per one 0,5l bottle), the high taxes which will alter the price for end-consumers, markups of importer and Vietnamese supermarkets, and of course, all expenses related to export into this market were also taken into account. Thus, such pricing policy allows not only receive the profits, but it enables to establish a quite competitive price for end consumers in the Vietnamese market because it will be slightly lower than other imported beers. Taking into consideration that Vietnamese consumers are usually give preferences to the cheaper imported products, it can be concluded that such pricing policy will help to get a foothold in this market and obtain own market place in this country.

Thereby, as it can be seen from table 3.10 the export efficiency of beer deliveries to Vietnam during all three years will be higher than 1 and will increase from year to year. This characterizes that the company will not only able to fully cover its costs but receive net profits from this export destination. The delivering beer to this market will bring to the company for the first three years net gain of 182 975 USD or if consider that exchange rate will remain at the level 29 USD/UAH – 5,31 million UAH.

To sum up, all preconditions indicates that nowadays Vietnamese market is one of the most promising sales markets for brewing companies in the world and it can be concluded that for the PJSC “Obolon” beer exporting to Vietnam will be a lucrative decision which will help to enhance the overall company’s competitiveness in foreign markets and able to open new prospects.

### 3.3. Forecasting of the Effects of the Proposed Measures on Financial Results of The PJSC “Obolon” in 2019-2021 Years

Company’s competitiveness and financial results are mutually dependent. From the one side, financial achievements reflect the current competitiveness as the company which is not successful in the marketplace will receive insufficient results and conversely. Although, must be taken into consideration the fact that the negative results



may indicate not only the problem of the enterprise itself. From the other side, profits achieved in previous periods give a possibility to fund the projects which may help increase the future competitive stance.

All measures which are directed on improvement competitive stance on the domestic or foreign markets inevitably are required financial expenses. But the enhancing competitiveness as a result of the implementation of proposed activities must generate profits and ultimately be positively expressed in the overall financial results of the company. Otherwise, their utilization will not bring the desired impact and will be not justified. However, the effect may be not immediately achieved and time lags are well admissible.

Previously in this work, was concluded that the PJSC “Obolon” despite a quite satisfactory level of competitiveness should adopt the series of steps which will enable diversify their presence in foreign markets and will help to boost the products sales among overseas customers. An appropriate set of measures of the opening of new geographical market and activation of promotional activities were developed. But for the final managerial decision, the research of the influence which proposed measures will have on financial results must be held. For this purpose initially must be performed prognosis of results of export activities and overall company’s financial results according to current trends and after that, the correction of received forecasted figures considering the proposed measures must be done.

In order to fulfill this task in the calculation of the majority of the indicators, the MC Excel function “Trend” was used. Although, some indicators were found by another means – via the assumption of the projected percentage of growth which is based on the tendency of last two-three years and taking into account the influence of outward factors which were identified before in this work. The necessity of this is stemmed from the fact the PJSC “Obolon” during the last five years was in the volatile situation with the sharp slump. Thereby, towards some indicators usage of “Trend” function on the basis of all five years is not reasonable because that will not enable to receive credible forecast which corresponds with up-to-date trends.

The challenges, with which the PJSC “Obolon” faced in 2013-2014 years after

the loss of its largest foreign sales market, resulted in a significant drop in export volumes and revenues. After the most crisis situation in 2015, the company has started again to increase its sales with overseas markets since 2016 and considering this trend, it is assumed that net sales from export will be grown by 24% annually which coincides with the results of calculation “Trend” function based on the last three years.

The production of products on domestic and foreign markets is not separated. Consequently, the growth rate of the costs of goods sold will not establish separately for exported products and will meet the growth rate of overall company’s costs. Taking into account the tendency of increasing price of raw materials, energy sources etc which were observed last years and bearing in mind that all prerequisites indicate that such shifting towards costs upsurge will continue, it was decided to remain the growth rate on the level of 2017, namely – 20%. Operational costs of export were calculated with the usage of “Trend” function. As a result, the projected figures of net sales from export, costs of exported products and operational costs of export were received which enabled to calculate for next years the effect from exporting activity and find the effectiveness of PJSC “Obolon” exporting.

The forecasted results of PJSC “Obolon” trading with foreign partners for the next three years are presented in table 3.11.

*Table 3.11*

**Projected Export Efficiency of the PJSC “Obolon” in 2018-2021 Years**

№	Indicator		2018	2019	2020	2021
			plan	prognosis		
1	Net sales from export	Thousand UAH	887 951,35	1 101 059,68	1 365 314,00	1 692 989,36
2	Costs of exported products		597 155,40	716 586,48	859 903,78	1 031 884,53
3	Operational costs of export		76 888,57	99 608,77	122 328,97	145 049,17
4	Total costs of export		674 043,97	816 195,25	982 232,74	1 176 933,70
5	<b>Effect from export activity</b>		213 907,39	284 864,43	383 081,26	516 055,66
6	<b>Effectiveness of export activity</b>		<b>1,32</b>	<b>1,35</b>	<b>1,39</b>	<b>1,44</b>

Source: created and calculated by the author

As it can be seen from this table 3.11, the net effect will continuously increase

from year to year in average on 34%. And the main indicator – the coefficient of export effectiveness with such predicted figures of earnings and expenses will also increase which indicates that such foreign economic activity will become more economically beneficial for the PJSC “Obolon” with each year.

After the calculations of projected exported results, the forecast of the company’s income statements for following years must be done. These calculations were made under the same principal as the projections of export activity – some figures were found via MC “Excel” function “Trend”, some were calculated due to assumptions based on latest tendencies.

The company’s net sales consist of the revenue from domestic operations and from overseas activities. The increase in export earnings has been defined above. Wherein it is projected that the growth of domestic sales will be at the level of 16%, which is slightly higher than the figure in 2017. That is explained by the fact that firstly for the last 10 years the Ukrainian beer market decline stops and experts assume that the sales of beer in the domestic market will gradually recover. Therefore, after the abovementioned calculations, the total net sales for each year were received. As a result, the average growth rate of net sales will be at the level of 17% which corresponds with the tendency of 2017 when the growth rate was also 17%.

The growth rate of costs of sales was defined previously during the forecast of the costs of the exported product. The growth profit was founded as a difference between projected net sales and costs of sales. In order to find operating income, besides gross profit, also must be found the other operating income and operating expenses. The last ones are divided into expenses on domestic operations and operational costs on foreign activities. All these three indicators were found with the help of function “Trend”. After that, all constituents of financial incomes and costs were defined by usage of the function “Trend”. These calculations enabled to find the projected financial result before taxation as the revenues from financial activity were added to operating income and the expenses related to financial operations were correspondingly deducted from the operating income. And finally the projected net income was calculated as the difference between financial results before taxation and



forecasted income tax expenses.

The final results of the projected income statements of the PJSC “Obolon” are presented in table 3.12.

*Table 3.12*

**Forecasted Income Statement of the PJSC “Obolon” for 2018-2021, thousand UAH**

Indicator	2018	2019	2020	2021
	plan	prognosis		
<b>Net sales</b>	<b>4 828 113</b>	<b>5 671 647</b>	<b>6 667 196</b>	<b>7 843 172</b>
<b>Cost of goods sold</b>	<b>3 429 216</b>	<b>4 115 059</b>	<b>4 938 071</b>	<b>5 925 685</b>
<b>Gross profit</b>	<b>1 398 897</b>	<b>1 556 588</b>	<b>1 729 125</b>	<b>1 917 487</b>
Operating expenses	1 845 933	1 981 771	2 117 610	2 253 448
Other operating income	594 103	633 239	672 376	711 512
<b>Operating income</b>	<b>147 067</b>	<b>208 056</b>	<b>283 891</b>	<b>375 551</b>
Profit on capital	8 795	8 020	7 246	6 471
Other financial incomes	27 556	22 035	16 514	10 992
Other incomes	767 254	790 271	813 979	838 399
Financial expenses	246 846	259 188	272 147	285 755
Expenses on capital	7 463	7 402	7 341	7 280
Other expenses	158 657	150 724	143 188	136 028
<b>Financial result before taxation</b>	<b>537 707</b>	<b>611 069</b>	<b>698 953</b>	<b>802 350</b>
Income tax expense	118 295	134 435	153 770	176 517
<b>Net income</b>	<b>419 411</b>	<b>476 634</b>	<b>545 183</b>	<b>625 833</b>

Source: created and calculated by the author

Before making the analogous forecast considering proposed measures, the prognosis revenues from solely these initiatives and total costs on their implementation must be summarized. The set of measures as it was mentioned in paragraph 3.1, will provide the 3% rise of net sales from export each year from the forecasted net sales from export. Besides the expenses of these set of measures itself which are referred to operational costs and were given in detail in paragraph 3.1, the additional rise in the costs of exported products must be also taken into account because increasing sales for foreign partners will lead to some rise of production, although the costs of additional sales will increase by more slow pace – by 2% annually from forecasted figures of costs of exported products. Apart from the set of measures, there was preposition about starting partnership with new foreign market – Vietnam. The detailed calculation about entering into the new geographical market was presented in paragraph 3.2. Thus, the

consolidation of all these figures was made and as a result, the total net sales and costs of namely proposed measures for 2019-2021 years are presented in table 3.13.

*Table 3.13*

**The Summarized Table of Net Sales and Costs on All Proposed Measures in Period 2019-2021, thousand UAH**

№	Indicator	Year		
		2019	2020	2021
1	<b><u>Net sales from solely proposed measures:</u></b>	<b><u>35 387,05</u></b>	<b><u>45 081,13</u></b>	<b><u>58 444,29</u></b>
	a) new export market - Vietnam	2 355,26	4 121,71	7 654,61
	b) other set of measures	33 031,79	40 959,42	50 789,68
2	<b><u>Total expenses on proposed measures:</u></b>	<b><u>17 495,64</u></b>	<b><u>20 652,07</u></b>	<b><u>24 921,13</u></b>
3	Costs of exported products as a result of:	<b><u>14 658,33</u></b>	<b><u>17 769,61</u></b>	<b><u>21 699,11</u></b>
	a) new export market - Vietnam	326,60	571,53	1 061,42
	b) other set of measures	14 331,73	17 198,08	20 637,69
4	Operational expenses on:	<b><u>2 837,31</u></b>	<b><u>2 882,47</u></b>	<b><u>3 222,02</u></b>
	a) new export market - Vietnam	1 977,80	2 069,15	2 818,80
	b) other set of measures	859,51	813,32	403,22

Source: created and calculated by the author

Hence, only now the received results of the forecasted export and overall main financial outcomes of the PJSC “Obolon” may be corrected on the proposed measures and new projections will be obtained.

Firstly, the forecasted figures of export activity were changed and new version of projected export efficiency considering proposed measures are given in table 3.14.

*Table 3.14*

**Projected Export Efficiency of the PJSC “Obolon” Considering Proposed Measures in 2019-2021 Years**

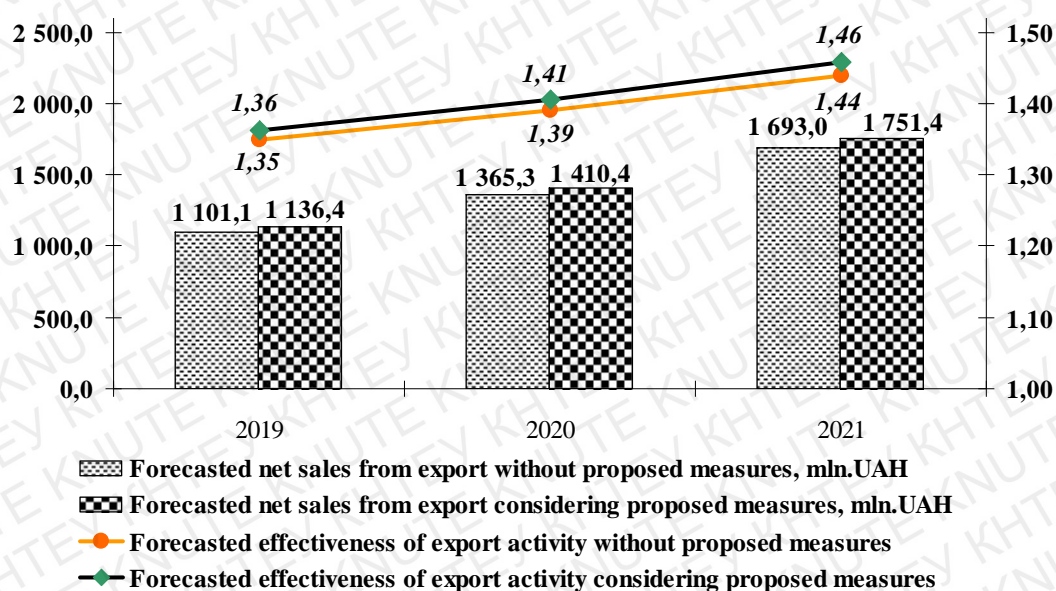
№	Indicator		2019	2020	2021
1	Net sales from export	Thousand UAH	1 136 446,73	1 410 395,13	1 751 433,65
2	Costs of exported products		731 244,81	877 673,38	1 053 583,65
3	Operational costs of export		102 446,08	125 211,43	148 271,18
4	Total costs of export		833 690,89	1 002 884,82	1 201 854,83
5	<b>Effect from export activity</b>		302 755,84	407 510,31	549 578,82
6	<b>Effectiveness of export activity</b>		1,36	1,41	1,46

Source: created and calculated by the author



As it can be seen from this table 3.14 the final indicators – effect from export destination and export efficiency with the proposed initiatives are positive value and gradually rising.

Nevertheless, the increasing figures itself don't provide an opportunity to make a conclusion about justification of usage in practice proposed measures. Therefore, in order to decide if offered steps towards improving competitiveness will bring positive effect, the achieved results must be compared with the previously received projected figures. The results of such comparison are presented in the figure 3.2.



*Fig.3.2 Forecasted Results of Export Activity of the PJSC "Obolon" in 2019-2021*  
*Source: created by the author*

As it can be seen, figure 3.2 gives a visualized picture that all offered initiatives will give the additional surplus to the net sales from export. Moreover, despite that the effectiveness in the first year of implementation will be almost equal to the figure without their enforcement, in the next two years, the effectiveness will increase by 1,4% annually. Consequently, the conclusion can be made that the proposed measures despite increasing costs will have a positive impact on the results of export activity and are economically cost-effective.

And finally what must be detected is how the projected net income will change under the influence of proposed measures. The revised forecasted income statements considering offered initiatives are given in table 3.15.



Table 3.15

**Forecasted Income Statement of the PJSC “Obolon” for 2019-2021 Years  
Considering Proposed Measures, thousand UAH**

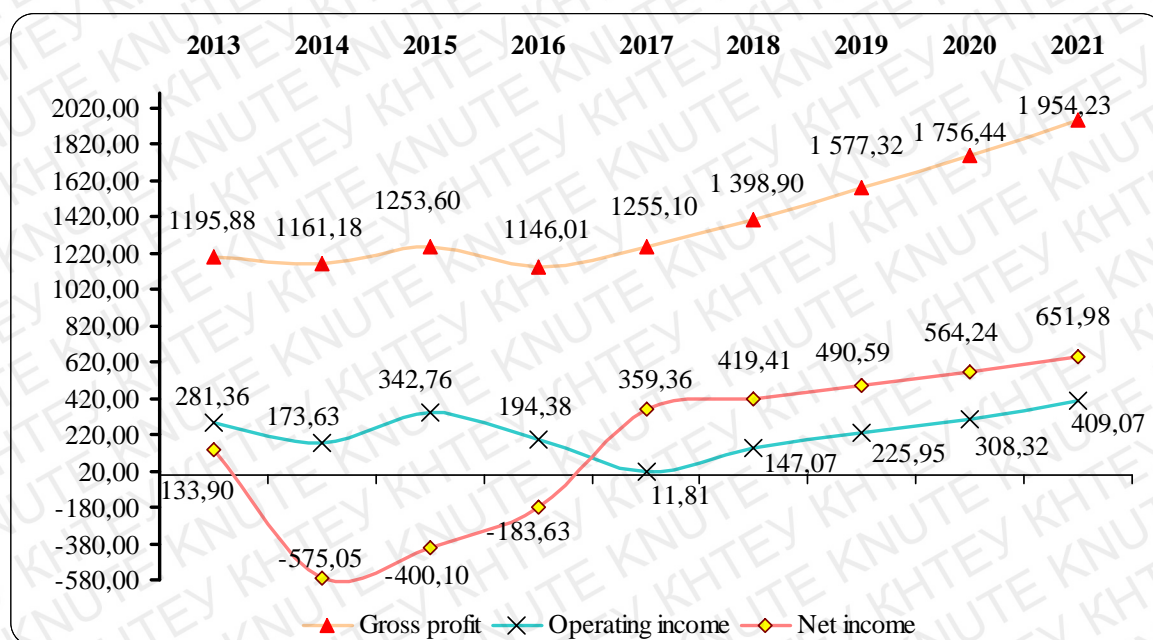
Indicator	2019	2020	2021
<b>Net sales</b>	<b>5 707 034</b>	<b>6 712 277</b>	<b>7 901 616</b>
<b>Cost of goods sold</b>	<b>4 129 718</b>	<b>4 955 841</b>	<b>5 947 384</b>
<b>Gross profit</b>	<b>1 577 317</b>	<b>1 756 436</b>	<b>1 954 232</b>
Operating expenses	1 984 609	2 120 492	2 256 670
Other operating income	633 239	672 376	711 512
<b>Operating income</b>	<b>225 948</b>	<b>308 320</b>	<b>409 074</b>
Profit on capital	8 020	7 246	6 471
Other financial incomes	22 035	16 514	10 992
Other incomes	790 271	813 979	838 399
Financial expenses	259 188	272 147	285 755
Expenses on capital	7 402	7 341	7 280
Other expenses	150 724	143 188	136 028
<b>Financial result before taxation</b>	<b>628 960</b>	<b>723 382</b>	<b>835 873</b>
Income tax expense	138 371	159 144	183 892
<b>Net income</b>	<b>490 589</b>	<b>564 238</b>	<b>651 981</b>

Source: created and calculated by the author

As a consequence of proposed measures, the PJSC “Obolon” gross profit will cumulatively increase on 84 785 thousand UAH for these three years. The operating income will increase at the expenses of the surplus of gross profit which much bigger of operating expenses which arise from the offered steps towards strengthening the competitive stance of the PJSC “Obolon”. And in the following three years the increment will be 17 891, 24 429 and 33 523 thousand UAH correspondingly. The results of net income will also improve – the total surplus of net income for three years will be 59 158 thousand UAH (Annex W). The net income will enhance by 2,9%, 3,5% and 4,2% respectively in comparison with simply forecasted figures and as a result, the gap between projected net income without and with the implementation of proposed measures will become broader with the years. Consequently, the implementation of all measures which are proposed in previous paragraphs will enable not only increase the effectiveness of export activity of PJSC “Obolon” but will help receive additional profits which positively reflected in overall financial results of the company.

The projected financial results together with the effect of the proposed set of

measures demonstrate that the financial position of the PJSC “Obolon” will continue gradually to improve from year to year (fig. 3.3) provided that any extraordinary drastic events will not happen.



*Fig.3.3 Main Financial Results of the PJSC “Obolon” with Forecasted Results Considering Proposed Set of Measures for 2019-2021, mln.UAH*

*Source: created by the author*

The fact that the degree of impact of the proposed measures is different should also be emphasized. At first glance, the contribution of new exporting destination will not bring any effect on the company’s result due to relatively small share in forecasted net sales. In order to confirm or deny such an assumption, the calculation of export efficiency and the net income has also been done for each measure separately. The achieved results have been demonstrated that the projected figures anyway become better even if PJSC “Obolon” will utilize only opening new foreign market or only other set of measures. But namely their simultaneous implementation provides the biggest favorable impact both for export efficiency and for the financial results of the company.

Evaluation of the projected effectiveness of the business results of the company before the utilization of the proposed measures and after was carried out on the basis of the indicators which are reflected in table 3.16. As it can be seen, in the forecasted period gross profit margin will slowly diminish from year to year, but operating profit margin conversely will grow. And what also should be highlighted is that the net profit



margin will be twice higher than in 2013 and be approximately at the same level as in 2017 when the company received net profits. At the same time, all these indicators will rise with the introduction of the proposed measures towards improving competitiveness in foreign markets, which once again confirms the validity of the need to implement these activities by PJSC “Obolon”.

*Table 3.16*

**Forecasted Profitability Ratios of the PJSC “Obolon” for 2018-2021 Years  
Considering Proposed Measures, %**

№	Indicator/Interpretation	Year						
		2018	2019		2020		2021	
		plan	prognosis					
		1*	1	2	1	2	1	2
1	Gross profit margin	28,97	27,45	27,64	25,93	26,17	24,45	24,73
2	Operating profit margin	3,05	3,67	3,96	4,26	4,59	4,79	5,18
3	Net profit margin	8.69	8.40	8.60	8.18	8.41	7.98	8.25

\* 1 – Forecast without proposed measures; 2 – Forecast considering proposed measures

Source: created and calculated by the author

To sum up, it can be concluded that the proposed set of measures will not only enhance the PJSC “Obolon” competitiveness in foreign markets but will also strengthen its the financial position. The favorable outlook of financial results for 2019-2021 years confirms the necessity of implementation of proposed initiatives.

### CONCLUSIONS TO THE PART III

Improving the competitive stance of the PJSC “Obolon” in foreign markets implies the implementation of a set of measures of diverse purposes and character.

There was developed detailed project of changes and innovations concerning the content and visualization of company’s English-language version website, presentation brochures, short-long film and videos precisely to the foreigners. Continuous monitoring of the world-recognized websites about beer appraisals by end-consumers, as well as the creation of special questionnaire and placing the QR-codes on the bottles, were also proposed as ways which undoubtedly be of benefit in the further enhancing of the company’s competitiveness overseas. Also in order to expand sales via partnership



diversification, the plan of participation in the range of leading industry international exhibitions has been drawn up. It is planned that net sales for the following 3 years from the utilization of all these measures will be 124 780,89 thousand UAH which will exceed the total expenses more than 2 times, the projected sum of which 54 243,53 thousand UAH.

Besides these activities, the strategy of entry into Vietnam as one of the most promising sales markets for brewing companies in the world was developed. That will be a lucrative decision for the PJSC “Obolon” as the total projected earnings from this market will be 14 131, 58 thousand UAH while expenses will be 8 825,30 thousand UAH.

As a consequence of altogether above-mentioned measures, the final financial outcomes of the PJSC “Obolon” under the influence of proposed measures will be improved. In the following three years the gross profit will increase on 84 785 thousand UAH, the increment of the operating income will be 75 844 thousand UAH and the total surplus of the major financial result – net income – will be 59 158 thousand UAH and what more importantly, the profitability ratios will be increased each year and will be better compared to the majority of results in the past periods and the forecasted results without proposed initiatives. Also, should be highlighted that namely, the simultaneous implementation of all proposed measures provides the biggest favorable impact both for the export and the overall financial results of the company.

Therefore, the received favorable outlook of financial results for 2019-2021 years only confirms that the proposed steps toward enhancing the PJSC “Obolon” competitiveness in the foreign market are necessary and economically justified.

## CONCLUSIONS AND PROPOSALS

The profound research by scholars and frequent utilization of the concept “company’s competitiveness” continues from the end of the 80’s of the previous century and are still relevant. During the consideration of the issues related to the company’s competitiveness, which was made in this work, it was revealed that single approach to its essence is simply absent, and the concept itself is multifaceted and complicated. That is explained by its ambiguous nature as it simultaneously plays a role of enterprise’s performance driver and at the same time act as the end result of utilization of available competitive advantages, as well as by different kind of external and internal factors which effect on it etc. Nevertheless, from all existing explanations which were considered in this final qualifying paper, the backbone of the definition was detected which could be formulated as follows – it is an ability of enterprises to compete in markets via meeting customers’ needs more efficiently than other rivals. Besides this, it was detected that the existing approaches not frequently coincides with the up-to-date changes of the ways of doing business in the condition of overall globalization and internationalization. The comprehensive overview of available researches enabled to conclude that if the companies want to be successful market players, they must continuously improve their competitiveness and the only possible way to make managerial decisions in this field is to conduct competitiveness assessments by the means of existing methodological approaches.

The basis for the study is one of the leading companies in Ukraine among producers of beer, soft and low-alcohol drinks, barley malt which is listed among the biggest breweries in the world – the PJSC “Obolon”.

This research revealed that during 2013-2017 years the enterprise was in a precarious financial position and was in heavy reliance on borrowed financial resources due to the insufficient amount of own capital, especially in 2015 when the share of shareholders’ equity was only 1,04%. Moreover, the company has received net losses during three consecutive years in the 2014-2016 years, the total sum of which was 1 158,78 mln.UAH. The reason for this mainly stemmed from crisis situation in all

Ukrainian brewing industry which significantly worsened since 2013 due to the numerous factors beyond the company control. But the range of changes in financial results and indicators in the last reporting period which were revealed during this research like rise of the inventory management efficiency (by 20% compared to previous year and by 14% in comparison to 2013), the reduction of the length of the cash conversion cycle (with the best result during all researched period), the achieved positive net financial result (which sum was 359,36 mln.UAH), significantly improved profitability indicators (for instance, net profit margin increased in 2017 to 8,74% when in 2014-2016 these figures were negative and 2013 it was almost two times lower) may indicate that the company has managed to overcome crisis situation and resumption of economically efficient activity.

The investigation of foreign economic activity of the enterprise detected that the PJSC “Obolon” is an active player on the global market, the products of which are known in five continents. The conducted research revealed that the uneven results from export which the company received during the period of 2013-2017 (the significant drop in volumes and revenues was fixed in 2014-2015 and in the following two years the gradual recovery was observed), as in the case with overall enterprise results, were occurred owing to unpredictable out-of-control factors which have had multidirectional character. From the one side, the volumes of export significantly dropped because of the full loss of the possibility to supply products to the formerly company’s largest foreign sales market, from the other side – the depreciation of national currency due to foreign exchange rate fluctuations has enabled to received higher revenue in national currency for the much smaller export volumes. For instance, in 2017 the company sold overseas 6,14 mln.dal of beer for 439,90 mln. UAH, while in 2013 it achieved the approximately same revenues (427,35 mln.UAH) for the volumes which were 2,8 times higher. But despite numerous challenges, during all five years, the company’s exporting activity has been cost-effective. The efficiency indicators of export were fluctuating and were positive value all years, although the best result of efficiency was achieved in 2013 and was 1,75, while in 2017 it was only 1,28.

Considering that the main objective of this research was to evaluate the PJSC



“Obolon” competitiveness in foreign markets via the most appropriate methods, the company’s assessment was made via utilization of several methods among which the integral index of company competitiveness which was developed precisely to conducting assessment among brewing companies as its taking into account all important peculiarities of the competition in global brewing industry, the method of the product competitiveness evaluation and via the SWOT-analysis which has enabled to summarized all the internal and external determinants of the PJSC “Obolon” competitiveness in foreign markets. The overall investigation which was made in this work via the competitiveness assessment of the PJSC “Obolon” in foreign market could to made a conclusion that notwithstanding the availability of powerful transnational rivals, numerous substitutes, changing consumers’ tastes and preferences, costs rising and others factors, the company has been continuing to develop increasing its presence on the global market and a number of available strong competitive advantages testify the internal capabilities of the company to continue conquer overseas markets. Although, during the assessment process it was detected several internal weak sides like insufficient brand awareness and recognition among consumers in foreign countries, poor feedback with foreign buyers, lack of efficient marketing skills and capabilities in overseas markets, high degree of dependence from only a few foreign markets, predominant export supplies to saturated markets etc which considerably hinder efficient utilization of available strengths and must be remedied.

Thereby, as a consequence of revealed shortcomings, in this work was proposed to implement a set of measures which enable to strengthen the competitive stance of the company in the existing and future export destinations and was justified a strategy directed towards maintenance sufficient level of the PJSC “Obolon” competitiveness in the foreign market. The majority of proposed measures are aimed to eliminate detected problems with promotion in foreign markets considering the existing legislative limitations in the majority of countries. Besides this, with the purpose to expand sales via partnership diversification areas, it was proposed to actively participate in international exhibitions and a clear plan for these actions was developed. In order to further company’s growth by means of moving into new promising geographical areas,

it was decided after the consecutive steps of meticulous and incremental country selection process and deep research via the help of PEST-analysis, to propose to the PJSC “Obolon” to start export beer to Vietnam.

The results of forecasting the effect of the proposed measures on financial results of the PJSC “Obolon” in 2019-2021 years have shown that the proposed steps toward enhancing the PJSC “Obolon” competitiveness in the foreign market are necessary and economically justified. Such conclusion is based on the received forecasted figures which indicate that all offered initiatives will give the additional surplus to the revenues from export in the size of 138 912,47 thousand UAH which is more than 2 times higher than the expenses on their implementations, the gross profit will totally for this period increase on 84 785 thousand UAH, the operating income will enlarge on the 75 844 thousand UAH and the total increase of the overall company’s net income for these following years will be 59 158 thousand UAH. One more confirmation in favor of utility of utilizing by PJSC “Obolon” proposed measures is that the forecasted profitability ratios will be better compared to the figures before the realization of all these actions (for instance, the figure of net profit margin without utilization of offered initiatives in 2021 is forecasted on the level 7,98% while the projected figure with proposed measures is 8,25%).

Thus, this research has confirmed the necessity and utility of conducting a comprehensive assessment of the companies’ competitiveness, especially those ones which engage in international business. The overall investigation of the company PJSC “Obolon”, which was the base of this research, revealed that this company able to remain sufficient competitive stance in foreign countries. However, the set of measures which was proposed in this work enable to eliminate the existing limitations and their full implementation will enable not only to enhance the competitiveness level of the PJSC “Obolon” in foreign markets but also improve the effectiveness of the overall company’s business results.

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## **ANNEXES**

### **TO THE FINAL QUALIFYING PAPER**

## The balance sheets (The statement of financial position) of the PJS

Title of balance-sheet item	2013		2014		2015	
	on the beginning	on the end	on the beginning	on the end	on the beginning	on the end
<b><u>I. Non-current assets</u></b>						
Intangible assets	13 068	22 498	22 498	36 191	36 191	31 000
initial value	43 713	56 721	56 721	77 190	77 190	80 410
accumulated ammortisation	30 645	34 223	34 223	40 999	40 999	49 410
Incomplete capital investments	141 248	36 245	36 245	44 188	44 188	31 940
Fixed assets	1 524 927	1 686 266	1 686 266	1 616 822	1 616 822	1 513 961
initial value	3 245 313	3 550 478	3 550 478	3 632 229	3 632 229	3 690 299
depreciation	1 720 386	1 864 212	1 864 212	2 015 407	2 015 407	2 177 338
Long-term financial investments	57 028	66 651	66 651	75 319	75 319	87 340
other financial investments	59 118	69 138	69 138	60 828	60 828	60 820
Long-term receivables	153	97	97	69	69	18
Deffered tax assets	2 110	1 686	1 686	1 686	1 686	1 680
<b>Total for section I</b>	<b>1 797 652</b>	<b>1 882 581</b>	<b>1 882 581</b>	<b>1 835 103</b>	<b>1 835 103</b>	<b>1 720 793</b>
<b><u>II. Current assets</u></b>						
Inventories:	659 484	623 153	623 153	690 955	690 955	898 730
stocks	579 278	544 769	544 769	585 854	585 854	814 240
incomplete production	34 365	34 820	34 820	26 733	26 733	31 170
ready-made products	44 064	39 820	39 820	75 043	75 043	41 330
goods	1 777	3 744	3 744	3 325	3 325	11 960
Receivables for goods, work and services	238 154	235 547	235 547	273 798	273 798	375 530
Receivables on settlements: from budget	4 106	24 350	24 350	28 225	28 225	11 860
including income tax		19 109	19 109	26 352	26 352	10 770
Receivables for internal payments	143 607	37 743	37 743	41 605	41 605	53 700
Other current receivables	69 380	87 212	87 212	104 744	104 744	92 390
Cash and cash equivalents	113 138	207 592	207 592	182 162	182 162	43 190
Prepaid expenses	1 526	4 414	4 414	4 544	4 544	2 950
Other current assets	16 700	11 138	11 138	10 054	10 054	4 170



<b>Total for section II</b>	<b>1 246 095</b>	<b>1 231 149</b>	<b>1 231 149</b>	<b>1 336 087</b>	<b>1 336 087</b>	<b>1 482 550</b>
<b><u>Total balance</u></b>	<b>3 043 747</b>	<b>3 113 730</b>	<b>3 113 730</b>	<b>3 171 190</b>	<b>3 171 190</b>	<b>3 209 343</b>
<b>I. Own capital (Shareholder equity)</b>						
Registreated capital	32 513	32 513	32 513	32 513	32 513	32 513
Capital in surplus	29 822	29 696	29 696	29 558	29 558	30 621
Reserve capital	8 128	8 128	8 128	8 128	8 128	8 128
Retained earnings	872 693	1 006 588	1 006 588	398 720	398 720	-37 931
<b>Total for section I</b>	<b>943 156</b>	<b>1 076 925</b>	<b>1 076 925</b>	<b>468 919</b>	<b>468 919</b>	<b>33 331</b>
<b>II. Long-term liabilities and provisions</b>						
Long-term bank loans	905 220	863 772	863 772	801 436	801 436	87 466
Long-term provisions			0	1 599	1 599	2 673
Long-term provisions of staff			0	1 599	1 599	2 673
<b>Total for section II</b>	<b>905 220</b>	<b>863 772</b>	<b>863 772</b>	<b>803 035</b>	<b>803 035</b>	<b>90 139</b>
<b>III. Current (short-term) liabilities and provisons</b>						
Short-term bank loans	176 483	350 654	350 654	719 087	719 087	333 600
Current receivables for:						
promissory notes issued	2 000					
long-term liabilities	227 119	206 081	206 081	350 131	350 131	1 766 355
for goods, work and services	458 211	378 379	378 379	559 225	559 225	723 379
payments to budget	39 979	49 509	49 509	64 389	64 389	88 800
including income tax	3 467		0	0	0	0
issurance settlements	5 784	6 386	6 386	5 831	5 831	2 448
wages paying	11 687	12 528	12 528	12 772	12 772	7 340
payables with participants	106 543	50 082	50 082	57 373	57 373	32 780
advancies received						
internal payables						
Other current liabilities	167 565	119 414	119 414	130 428	130 428	131 090
<b>Total for section III</b>	<b>1 195 371</b>	<b>1 173 033</b>	<b>1 173 033</b>	<b>1 899 236</b>	<b>1 899 236</b>	<b>3 085 876</b>
<b>Total balance</b>	<b>3 043 747</b>	<b>3 113 730</b>	<b>3 113 730</b>	<b>3 171 190</b>	<b>3 171 190</b>	<b>3 209 343</b>

## Annex B

Table B.1

**Statements of the financial results of the PJSC “Obolon” in 2012-2017,  
thousand UAH**

Title of item	Code	2012	2013	2014	2015	2016	2017
Net sales	2000	3 180 913	2 992 622	3 189 907	3 641 996	3 524 945	4 112 781
Cost of goods sold	2050	(1 920 334)	(1 796 746)	(2 028 728)	(2 388 394)	(2 378 936)	(2 857 680)
Gross profit	2090	1 260 579	1 195 876	1 161 179	1 253 602	1 146 009	1 255 101
Other operational earnings	2120	273 005	492 187	442 476	474 740	504 984	562 849
Administrative expenses	2130	(175 155)	(174 924)	(189 329)	(178 381)	(213 263)	(224 021)
Selling expenses	2150	(734 697)	(734 206)	(847 429)	(848 865)	(833 385)	(976 767)
Other operational expenses	2180	(335593)	(497 572)	(393 263)	(358 335)	(409 965)	(605 348)
Operating income	2190	288 139	281 361	173 634	342 761	194 380	11 814
Profit on capital	2200	16 500	15 214	8 319	13 476	6 160	12 421
Other financial incomes	2220	21 967	34 094	55 105	63 823	67 076	502
Other incomes	2240	62 126	32 658	196 975	467 981	222 156	744 175
Financial expenses	2250	(145 897)	(169 005)	(195 268)	(306 245)	(309 935)	(235 091)
Expenses on capital	2255	(14 986)	(6 715)	(11 814)	(2 508)	(9 735)	(7 451)
Other expenses	2270	(24 242)	(15 887)	(802 002)	(979 390)	(353 727)	(167 007)
Financial result before taxation: income	2290	203 607	171 720	*	*	*	359 363
loss	2295	*	*	(575 051)	(400 102)	(183 625)	*
Income tax expense	2300	(50 642)	(37 825)	*	*	*	*
Net income	2350	152 965	133 895	*	*	*	359 363
Net loss	2355	*	*	(575 051)	(400 102)	(183 625)	*

## The dynamics of the P

Title of the balance-sheet item	Absolute value, thousand UAH				
	31.12.2013	31.12.2014	31.12.2015	31.12.2016	31.12.2017
Intangible assets	22 498	36 191	31 005	22 345	35 908
initial value	56 721	77 190	80 415	80 568	104 115
accumulated ammortisation	34 223	40 999	49 410	58 223	68 207
Incomplete capital investments	36 245	44 188	31 946	46 493	74 436
Fixed assets	1 686 266	1 616 822	1 513 961	2 906 500	2 893 45
initial value	3 550 478	3 632 229	3 691 299	5 239 376	5 446 06
depreciation	1 864 212	2 015 407	2 177 338	2 332 876	2 552 60
Long-term financial investments	66 651	75 319	87 349	84 868	90 148
other financial investments	69 138	60 828	60 828	60 828	42 358
Long-term receivables	97	69	18	14	14
Deffered tax assets	1 686	1 686	1 686	17 293	17 293
<b>Total for section I</b>	<b>1 882 581</b>	<b>1 835 103</b>	<b>1 726 793</b>	<b>3 138 341</b>	<b>3 153 60</b>
Inventories:	623 153	690 955	898 730	895 375	896 110
stocks	544 769	585 854	814 249	763 809	768 599
incomplete production	34 820	26 733	31 179	40 233	45 862
ready-made products	39 820	75 043	41 337	82 543	67 365
goods	3 744	3 325	11 965	8 790	14 284
Receivables for goods, work and services	235 547	273 798	375 533	407 752	514 098
Receivables on settlements: from budget	24 350	28 225	11 865	13 198	14 317
including income tax	19 109	26 352	10 773	3 228	3 228



Receivables for internal payments	37 743	41 605	53 704	149 114	89 427
Other current receivables	87 212	104 744	92 397	51 498	490 248
Cash and cash equivalents	207 592	182 162	43 198	9 776	12 624
Prepaid expenses	4 414	4 544	2 952	3 225	2 048
Other current assets	11 138	10 054	4 171	19 198	43 960
<b>Total for section II</b>	<b>1 231 149</b>	<b>1 336 087</b>	<b>1 482 550</b>	<b>1 549 136</b>	<b>2 062 83</b>
<b>Total assets</b>	<b>3 113 730</b>	<b>3 171 190</b>	<b>3 209 343</b>	<b>4 687 477</b>	<b>5 216 44</b>

## The structure of assets of PJS

### The structure of non-current assets

Title of the balance-sheet item	Absolute value, thousand UAH				
	31.12.2013	31.12.2014	31.12.2015	31.12.2016	31.12.2017
Intangible assets	22 498	36 191	31 005	22 345	33 191
Incomplete capital investments	36 245	44 188	31 946	46 493	74 188
Fixed assets	1 686 266	1 616 822	1 513 961	2 906 500	2 816 822
Long-term financial investments	66 651	75 319	87 349	84 868	90 319
other financial investments	69 138	60 828	60 828	60 828	42 828
Long-term receivables	97	69	18	14	18
Deffered tax assets	1 686	1 686	1 686	17 293	17 293
<b>Total non-current assets</b>	<b>1 882 581</b>	<b>1 835 103</b>	<b>1 726 793</b>	<b>3 138 341</b>	<b>3 138 341</b>
Total assets	3 113 730	3 171 190	3 209 343	4 687 477	5 216 44

### The structure of current assets

Title of balance-sheet item	Absolute value, thousand UAH				
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	31.12.2013	31.12.2014	31.12.2015	31.12.2016	31.12.2017
<b>Inventories:</b>	623 153	690 955	898 730	895 375	895 375
stocks	544 769	585 854	814 249	763 809	763 809
incomplete production	34 820	26 733	31 179	40 233	40 233
ready-made products	39 820	75 043	41 337	82 543	67 333
goods	3 744	3 325	11 965	8 790	14 560
Receivables for goods, work and services	235 547	273 798	375 533	407 752	511 114
Receivables on settlements: from budget	24 350	28 225	11 865	13 198	14 560
including income tax	19 109	26 352	10 773	3 228	3 228
Receivables for internal payments	37 743	41 605	53 704	149 114	89 560
Other current receivables	87 212	104 744	92 397	51 498	49 560
Cash and cash equivalents	207 592	182 162	43 198	9 776	12 560
Prepaid expenses	4 414	4 544	2 952	3 225	2 560
Other current assets	11 138	10 054	4 171	19 198	4 560
<b>Total current assets</b>	<b>1 231 149</b>	<b>1 336 087</b>	<b>1 482 550</b>	<b>1 549 136</b>	<b>2 000 560</b>
Total assets	3 113 730	3 171 190	3 209 343	4 687 477	5 200 560

## The dynamics of the own capital

Title of the balance-sheet item	Absolute value, thousand UAH				
	31.12.2013	31.12.2014	31.12.2015	31.12.2016	31.12.2017
<b>I. Registered capital</b>					
Registered capital	32 513	32 513	32 513	32 513	32 513
Capital in surplus	29 696	29 558	30 620	1 513 770	1 513 770
Reserve capital	8 128	8 128	8 128	8 128	8 128
Retained earnings	1 006 588	398 720	-37 931	-213 931	130 000
<b>Total for section I</b>	<b>1 076 925</b>	<b>468 919</b>	<b>33 330</b>	<b>1 340 480</b>	<b>1 684 341</b>
<b>II. Long-term liabilities</b>					
Long-term bank loans	863 772	801 436	87 464	344 219	1 985 000
Long-term provisions		1 599	2 673	3 611	4 800
Long-term provisions of staff		1 599	2 673	3 611	4 800
<b>Total for section II</b>	<b>863 772</b>	<b>803 035</b>	<b>90 137</b>	<b>347 830</b>	<b>1 994 400</b>
<b>III. Current liabilities</b>					
Short-term bank loans	350 654	719 087	333 664	1 916 055	79 000
Current receivables for:					
long-term liabilities	206 081	350 131	1 766 355	6 400	173 000
for goods, work and services	378 379	559 225	723 372	635 639	921 000
payments to budget	49 509	64 389	88 808	99 741	101 000
insurance settlements	6 386	5 831	2 448	3 390	4 000
wages paying	12 528	12 772	7 346	13 777	15 000
payables with participants	50 082	57 373	32 784	24 908	24 900
advancies received				59 834	29 000
internal payables				47 527	52 000
Other current liabilities	119 414	130 428	131 099	191 896	139 000
<b>Total for section III</b>	<b>1 173 033</b>	<b>1 899 236</b>	<b>3 085 876</b>	<b>2 999 167</b>	<b>1 540 000</b>
<b>Total balance</b>	<b>3 113 730</b>	<b>3 171 190</b>	<b>3 209 343</b>	<b>4 687 477</b>	<b>5 210 000</b>



### The structure of own capital and liabilities of I

	Absolute value, thousand U			
Title of the balance-sheet item	31.12.2013	31.12.2014	31.12.2015	31.12.2016
<b>I. Own capital (Shareholders' equity)</b>				
Registered capital	32 513	32 513	32 513	32 513
Capital in surplus	29 696	29 558	30 620	15 000
Reserve capital	8 128	8 128	8 128	8 128
Retained earnings	1 006 588	398 720	-37 931	-2 000
<b>Total for section I</b>	<b>1 076 925</b>	<b>468 919</b>	<b>33 330</b>	<b>1 300 000</b>
<b>II. Long-term liabilities and provisions</b>				
Long-term bank loans	863 772	801 436	87 464	34 000
Long-term provisions	*	1 599	2 673	3 000
Long-term provisions of staff	*	1 599	2 673	3 000
<b>Total for section II</b>	<b>863 772</b>	<b>803 035</b>	<b>90 137</b>	<b>34 000</b>
<b>III. Current (short-term) liabilities</b>				
Short-term bank loans	350 654	719 087	333 664	19 000
Current payables for:				
long-term liabilities	206 081	350 131	1 766 355	6 000
for goods, work and services	378 379	559 225	723 372	63 000
payments to budget	49 509	64 389	88 808	9 000
insurance settlements	6 386	5 831	2 448	3 000
wages paying	12 528	12 772	7 346	1 000
payables with participants	50 082	57 373	32 784	2 000
advancies received	*	*	*	5 000
internal payments	*	*	*	4 000
Other current liabilities	119 414	130 428	131 099	19 000

<b>Total for section III</b>	<b>1 173 033</b>	<b>1 899 236</b>	<b>3 085 876</b>	<b>2 999 167</b>
Total balance	<b>3 113 730</b>	<b>3 171 190</b>	<b>3 209 343</b>	<b>4 687 477</b>

Annex G

**Benchmark data for calculation liquidity/debt, financial stability, business activity and profitability ratios**

Table G.1

**Benchmark data for calculation liquidity/debt and financial stability ratios**

Indicator	31.12.2013	31.12.2014	31.12.2015	31.12.2016	31.12.2017
Cash and cash equivalents	207 592	182 162	43 198	9 776	12 624
Inventory	623 153	690 955	898 730	895 375	896 110
Accounts receivables	347 109	406 767	479 795	472 448	1 018 663
Accounts payable	566 216	772 645	953 073	944 443	1 181 830
Current assets	1 231 149	1 336 087	1 482 550	1 549 136	2 062 832
Current liabilities	1 173 033	1 899 236	3 085 876	2 999 167	1 540 951
Long-term liabilities	863 772	803 035	90 137	347 830	1 990 770
Total assets	3 113 730	3 171 190	3 209 343	4 687 477	5 216 440
Total debt	2 036 805	2 702 271	3 176 013	3 346 997	3 531 721
Shareholder's equity	1 076 925	468 919	33 330	1 340 480	1 684 719

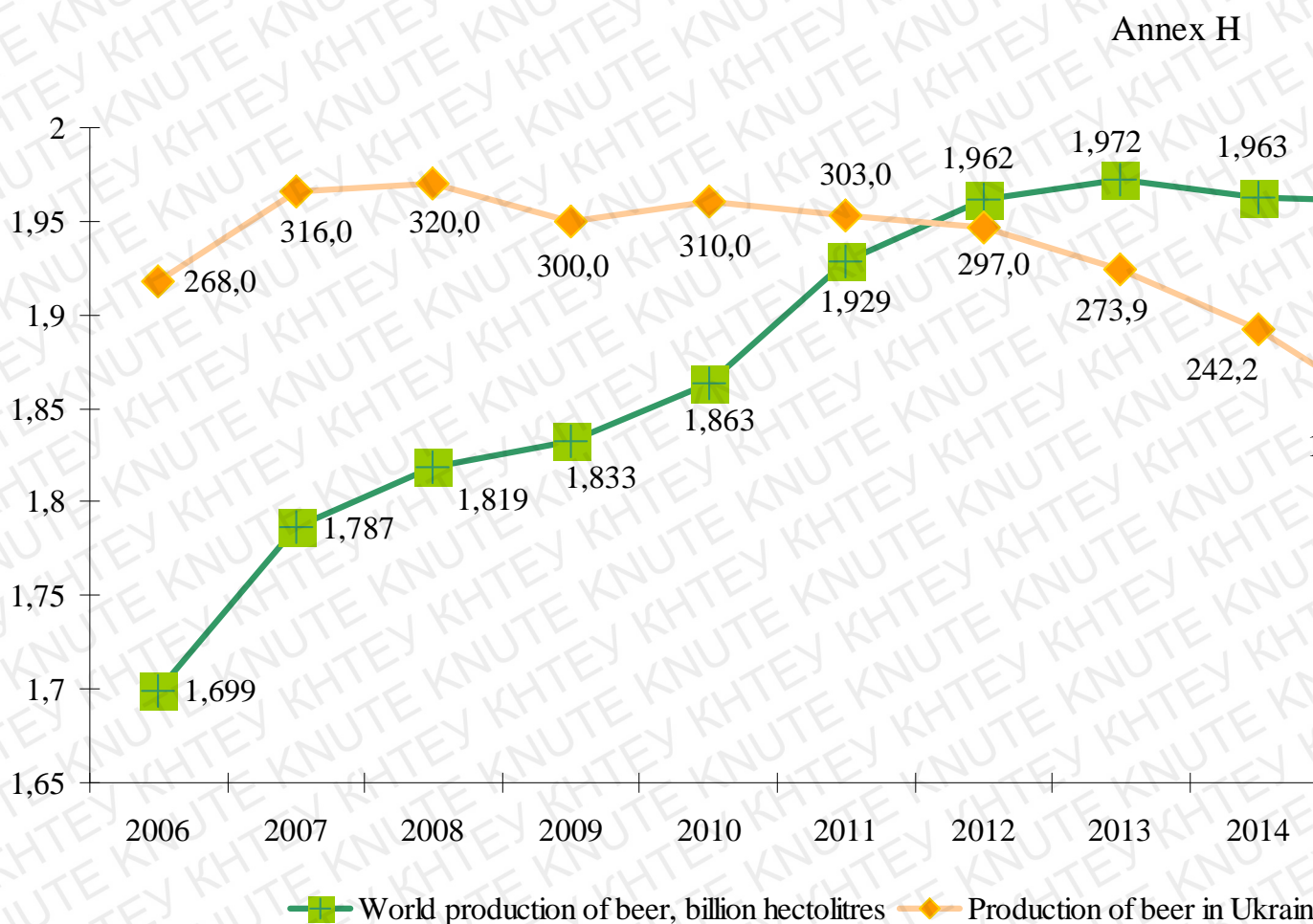
Table G.2

**Benchmark data for calculation of profitability and business activity ratios**

Indicator	2013	2014	2015	2016	2017
Net sales	2 992 622	3 189 907	3 641 996	3 524 945	4 112 781
Cost of goods sold	1 796 746	2 028 728	2 388 394	2 378 936	2 857 680
Gross profit	1 195 876	1 161 179	1 253 602	1 146 009	1 255 101
Operational expenses	2 737 953	3 101 011	3 427 048	3 386 270	3 933 167
Operating income	281 361	173 634	342 761	194 380	11 814
Net income	133 895	-575 051	-400 102	-183 625	359 363
Average assets	3 078 739	3 142 460	3 190 267	3 948 410	4 951 959
Average receivables for goods, works and services	236 851	254 673	324 666	391 643	460 925
Average inventories	641 319	657 054	794 843	897 054	895 743
Average current assets	1 238 622	1 283 618	1 409 319	1 515 843	1 805 984
Average own capital	1 076 925	468 919	33 330	1 340 480	1 684 719
Average long-term credits	884 496	832 604	444 450	215 842	116 072

Average payables for goods, works and services	418 295	468 802	641 299	679 506	778 358
Average short-term credits	263 569	534 871	526 376	1 124 860	997 574

Source: created and calculated on the basis of financial statements of the PJSC “Obolon” for 2013-2017 years



*Fig. H.1 The dynamics of beer production in the world and in Ukraine for the period of 2006-2017 years [created by author, based on materials of Ukrstat and Barth-Haath Reports [98]]*

\* 1 hectolitre = 100 liters; 1 dekalitre = 10 liters.



Table I.1

**The dynamics of the net sales from export of the PJSC “Obolon” by commodity group in 2012-2017 years, thousand UAH**

<b>Name of product group</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Drinks</b>	<b>462 383,10</b>	<b>435 412,80</b>	<b>329 127,00</b>	<b>184 011,20</b>	<b>247 974,40</b>	<b>461 541,30</b>
Beer	456 555,00	427 354,70	315 554,10	165 637,40	226 722,80	439 900,30
Soft drinks	5 702,80	8 015,50	13 309,60	13 757,70	13 848,80	18 445,80
Low-alcoholic drinks	97,00	31,00	242,80	4 615,10	7 328,20	3 184,30
Mineral water	28,30	11,60	20,50	1,00	74,60	10,90
<b>Barley malt</b>	<b>*</b>	<b>*</b>	<b>39 122,30</b>	<b>64 540,20</b>	<b>189 443,00</b>	<b>254 548,50</b>
<b>Total net sales from export</b>	<b>462 383,10</b>	<b>435 412,80</b>	<b>368 249,30</b>	<b>248 551,40</b>	<b>437 417,40</b>	<b>716 089,80</b>

Source: data received from the PJSC “Obolon”

Table J.1

**The dynamics of natural volume of drinks export of PJSC “Obolon” in 2012-2017 years**

Name of product group	The volume of export of PJSC “Obolon” during 2012-2017 years, thousand dal.						Year-over-year Growth rate, %				
	2012	2013	2014	2015	2016	2017	2013/2012	2014/2013	2015/2014	2016/2015	2017/2016
Beer, thd.dal	19 856,3	17 413,0	8 629,4	2 784,2	3 673,1	6 137,1	- 12,3	-50,4	-67,7	31,9	67,1
Soft drinks, thd.dal	271,0	373,7	427,9	274,4	340,0	444,5	37,9	14,5	-35,9	23,9	30,7
Low alcohol drinks, thd.dal	1,6	0,6	3,0	30,5	48,9	34,6	- 66,0	431,5	932,0	60,4	-29,3
Mineral water, thd.dal	2,0	0,9	1,0	0,0	1,9	0,3	- 55,6	13,2	-95,3	3 787,5	-85,9
<b>Total volume, thou.dal</b>	<b>20 130,9</b>	<b>17 788,1</b>	<b>9 061,3</b>	<b>3 089,1</b>	<b>4 063,9</b>	<b>6 616,5</b>	<b>- 11,6</b>	<b>-49,1</b>	<b>-65,9</b>	<b>31,6</b>	<b>62,8</b>

Table J.2

**The dynamics of net sales of drinks export of PJSC “Obolon” in 2012-2017 years**

Name of product group	The net sales from drinks export of PJSC “Obolon” during 2012-2017 years, thousand UAH						Year-over-year Growth rate, %				
	2012	2013	2014	2015	2016	2017	2013/2012	2014/2013	2015/2014	2016/2015	2017/2016
Beer	456 555,0	427 354,7	315 554,1	165 637,4	226 722,8	439 900,3	- 6,4	- 26,2	-47,5	36,9	94,0
Soft drinks	5 702,8	8 015,5	13 309,6	13 757,7	13 848,8	18 445,8	40,6	66,0	3,4	0,7	33,2
Low alcohol drinks	97,0	31,0	242,8	4 615,1	7 328,2	3 184,3	- 68,0	683,2	1 800,8	58,8	- 56,5
Mineral water	28,3	11,6	20,5	1,0	74,6	10,9	- 59,0	76,7	-95,1	7 360,0	- 85,4

<b>Total net sales from drinks export, thd.UAH</b>	<b>462 383,1</b>	<b>435 412,8</b>	<b>329 127,0</b>	<b>184 011,2</b>	<b>247 974,4</b>	<b>461 541,3</b>	<b>- 5,8</b>	<b>- 24,4</b>	<b>-44,1</b>	<b>34,8</b>	<b>86,1</b>
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Source: created and calculated by the author, based on the data received from PJSC “Obolon”

## Annex K

**The structure of natural volumes and net sales of drinks export of the PJSC “Obolon” in 2012-2017 years**

Table K.1

**Structure of the natural volumes of drinks export of the PJSC “Obolon”, %**

<b>Name of product group</b>	2012	2013	2014	2015	2016	2017
Beer	98,636	97,891	95,234	90,130	90,385	92,756
Soft drinks	1,346	2,101	4,723	8,882	8,366	6,718
Low alcohol drinks	0,008	0,003	0,033	0,987	1,203	0,522
Mineral water	0,010	0,005	0,011	0,002	0,046	0,004
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Table K.2

**Structure of the net sales from drinks export of the PJSC “Obolon”, %**

<b>Name of product group</b>	2012	2013	2014	2015	2016	2017
Beer	98,740	98,149	95,876	90,015	91,430	95,311
Soft drinks	1,233	1,841	4,044	7,477	5,585	3,997
Low alcohol drinks	0,021	0,007	0,074	2,508	2,955	0,690
Mineral water	0,006	0,003	0,006	0,001	0,030	0,002
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: calculated on the basis of the data received from PJSC “Obolon”



Table N.1

**The dynamics of exports volume of soft drinks and the structure of soft drinks by products of the PJSC “Obolon”**

Trade names of soft drinks	Volume of exports, dal			The share among soft drinks, %		
	2015	2016	2017	2015	2016	2017
<b>Zhivchik</b>	<b>266 290,68</b>	<b>328 035,02</b>	<b>437 763,12</b>	<b>97,05</b>	<b>96,49</b>	<b>98,49</b>
Apple	131 235,48	187 379,42	251 424,72	47,83	55,12	56,56
Orange	29 648,40	45018	57 082,80	10,81	13,24	12,84
Cherry	37 654,80	4 269,60	*	13,72	1,26	*
Pear	35 295,60	50 083,20	73 975,20	12,86	14,73	16,64
Lemon	31 731,60	39 447,60	55 280,40	11,57	11,60	12,44
Unik	700,8	374,4	*	0,26	0,11	*
Non-carbonated	24	1 462,80	*	0,01	0,43	*
<b>Rio de Mojito with lime and mint taste</b>	<b>5 274,00</b>	<b>5 424,00</b>	<b>*</b>	<b>1,92</b>	<b>1,60</b>	<b>*</b>
<b>Kvass “Bogatyrskiy”</b>	<b>360,00</b>	<b>1 290,00</b>	<b>237,60</b>	<b>0,13</b>	<b>0,38</b>	<b>0,05</b>
<b>Kvass “Obolonskiji”</b>	<b>1 488,60</b>	<b>1 734,48</b>	<b>*</b>	<b>0,54</b>	<b>0,51</b>	<b>*</b>
<b>Kvass “Chlibnyi”</b>	<b>*</b>	<b>90,00</b>	<b>*</b>		<b>0,03</b>	<b>*</b>
<b>Obolonska with lemon</b>	<b>72,00</b>	<b>180,00</b>	<b>*</b>	<b>0,03</b>	<b>0,05</b>	<b>*</b>
<b>“Obolon Lemonade”</b>	<b>468,00</b>	<b>1 179,60</b>	<b>3 200,40</b>	<b>0,17</b>	<b>0,35</b>	<b>0,72</b>
<b>“Obolon Sitro”</b>	<b>420,00</b>	<b>1 018,80</b>	<b>1 920,00</b>	<b>0,15</b>	<b>0,30</b>	<b>0,43</b>
<b>Cola New</b>	<b>*</b>	<b>564,00</b>	<b>792,00</b>	<b>*</b>	<b>0,17</b>	<b>0,18</b>
<b>Unik</b>	<b>*</b>	<b>458,40</b>	<b>*</b>	<b>*</b>	<b>0,13</b>	<b>*</b>
<b>Baikal</b>	<b>*</b>	<b>*</b>	<b>288,00</b>	<b>*</b>	<b>*</b>	<b>0,06</b>
<b>Tarhun</b>	<b>*</b>	<b>*</b>	<b>288,00</b>	<b>*</b>	<b>*</b>	<b>0,06</b>
<b>Total, dal</b>	<b>274 373,28</b>	<b>339 974,30</b>	<b>444 489,12</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>

Source: created and calculated by author, based on materials received from the PJSC “Obolon”

**The data about low alcohol drink exports of the PJSC “Obolon”**

*Table O.1*

**Dynamics of exports volume of low alcohol drinks and the structure of low alcohol drinks by countries**

Trade name of low alcoholic drinks	Volume of exports, dal			The share of country, %		
	2015	2016	2017	2015	2016	2017
Sierra Leone	480	*	*	1,57	*	*
United Kingdom	20 940,48	24 419,04	3 648	68,71	49,95	10,56
Hong Kong	7 904,64	997,92	*	25,94	2,04	*
Congo	1 152	972	*	3,78	1,99	*
Lebanon	*	1 260	*	*	2,58	*
Canada	*	21 234,24	27 655,44	*	43,44	80,02
Israel	*	*	332,64	*	*	0,96
Seychelles	*	*	2 922,48	*	*	8,46
<b>Total</b>	<b>30 447,12</b>	<b>48 883,2</b>	<b>34 558,56</b>	<b>100</b>	<b>100</b>	<b>100</b>

*Table O.2*

**Dynamics of exports volume of low alcohol drinks and the structure of low alcohol drinks by products**

Trade name of low alcoholic drinks	Volume of exports, dal			The share of product, %		
	2015	2016	2017	2015	2016	2017
Vodka Lime	3 062,88	6 467,04	2 723,05	10,05	13,23	7,88
Rum Cola	8 518,56	12 242,88	9 292,56	27,95	25,05	26,89
Whiskey Cherry	3 680,64	6 770,40	3 633,60	12,08	13,85	10,51
Brandy Cola	7 080,48	14 078,88	9 156,70	23,23	28,80	26,50
Gin Tonic	6 982,56	7 092,00	9 752,65	22,91	14,51	28,22
Mojito	324,00	1 584,00	*	1,06	3,24	*
Rio pina-kolada	504,00	324,00	*	1,65	0,66	*
Margarita	324,00	324,00	*	1,06	0,66	*
<b>Total</b>	<b>30 477,12</b>	<b>48 883,20</b>	<b>34 558,56</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: created and calculated by author, based on materials received from the PJSC “Obolon”

Table P.1

**Benchmark data for assessment of the companies' competitiveness on the  
Belarusian beer market on the 2017 year**

Indicator	PJC "Krinitza"	PJC "Lidskae pivo"	PJC "Alivaria"	PJSC "Obolon"
Currency	BYR	BYR	BYR	UAH
Working capital	-22 770	35 119	46 422	521 881
Total assets	128 001	151 059	98 794	5 216 440
Retained earnings	-12 482	48 947	48 274	130 583
Earnings before interest and tax	394	13 652	21 997	359 363
Net worth or book value of equity	59 806	70 858	76 696	1 684 719
Book value of liabilities	68 195	80 201	22 098	3 531 721
Total assets (average)	127 158	147 761	95 608	4 951 959
Current Assets	44 785	56 843	68 520	2 062 832
Shareholder's equity	59 806	70 858	76 696	1 684 719
Current Liabilities	67 555	21 724	22 098	1 540 951
Net Sales	98 165	163 652	146 799	4 112 781
Costs of sold products	67 845	95 197	77 358	2 857 680
Net income	46	10 696	17 383	359 363
Average number of employees	1 072	673	787	2 699
Exchange rate	1 BYR = 14 UAH			
Net sales, UAH	15 008	9 422	11 018	4 112 781
Fixed assets (average), UAH	1 158 451	1 248 163	383 852	1 605 597

Table P.2

**The calculation of Z-score which is based on the 5-factor model of E.Altman**

Indicator	PJC "Krinitza"	PJC "Lidskae pivo"	PJC "Alivaria"	PJSC "Obolon"
working capital/total assets	-0,178	0,232	0,470	0,100
retained earnings/total assets	-0,098	0,324	0,489	0,025
EBIT/total assets	0,003	0,090	0,223	0,069
book value of the equity/book value of liabilities	0,877	0,884	3,471	0,477
sales/total assets	0,767	1,083	1,486	0,788
<b>Z-score</b>	<b>0,933</b>	<b>2,174</b>	<b>4,383</b>	<b>1,294</b>
Zone	Distress zone	Grey zone	Safe zone	Grey zone

Source: created and calculated on the basis of financial statements of the PJSC "Obolon", PJC "Krinitza", PJC "Lidskae pivo" and PJC "Alivaria" for the 2017 year



Table Q.1

**The statistical data of the internal consumption of the beer in Belarus and beer sales in Belarus by companies, mln.dal**

Indicator	Year		Growth rate, %
	2016	2017	
Total production of the beer in Belarus	43,20	47,20	9,26
Belarusian import of the beer	9,02	9,22	2,22
Belarusian export of the beer	8,63	12,89	49,36
<b>Total internal consumption of the beer in Belarus</b>	<b>43,59</b>	<b>43,53</b>	<b>- 0,14</b>
Import of the beer from Ukraine	2,25	3,21	42,67
Export of the PJSC “Obolon” to Belarus	1,53	2,03	32,68
The domestic sales of the PJC “Krinitza”	9,03	9,08	0,55
The domestic sales of the PJC “Lidskae pivo”	8,32	9,17	10,22
The domestic sales of the PJC “Alivaria”	10,55	11,58	9,77

Source: created by author, based on the [10; 14; 18; 19]

## Integral indexes of beer competitiveness in Lithuanian market

Features (indicators)	Max. point	Weight of the indicator, %	Horns&Hooves		Krusovice Imperial		Faxe Premium		Beck's		Efes pilsner		Amstel Light Beer	
			Point	Coef.	Point	Coef.	Point	Coef.	Point	Coef.	Point	Coef.	Point	Coef.
Consumer Rate	5	26	2,66	0,84	<u>3,15</u>	1	2,67	0,85	2,68	0,85	2,72	0,86	2,50	0,79
Product availability	3	14	1	0,33	<u>3</u>	1	2	0,67	<u>3</u>	1	2	0,67	<u>3</u>	1
Brand awareness	5	28	2	0,40	4	0,8	3	0,60	<u>5</u>	1	4	0,80	<u>5</u>	1
View of the bottle	5	12	4	0,80	<u>5</u>	1	2	0,40	3	0,60	2	0,40	4	0,80
Price, euro	min	20	<u>0,55</u>	1	1,19	0,462	0,89	0,618	0,59	0,932	0,95	0,579	0,99	0,556
<b>Integral index of beer competitiveness</b>			<b>0,674</b>		<b>0,836</b>		<b>0,654</b>		<b>0,900</b>		<b>0,706</b>		<b>0,834</b>	

Table T.1

**The basis for creation of the competitiveness polygons in the Lithuanian market**

	Consumer Rate (1-5)	Product availability (1-3)	Brand awareness (1-5)	View of the bottle (1-5)	Price, euro	Consumer Rate	Product availability	Brand awareness	View of the bottle	Price
Horns&Hoo ves	2,66	1	2	4	0,55	0,84	0,33	0,40	0,80	1,00
Krusovice Imperial	3,15	3	4	5	1,19	1,00	1,00	0,80	1,00	0,46
Faxe Premium	2,67	2	3	2	0,89	0,85	0,67	0,60	0,40	0,62
Beck's	2,68	3	5	3	0,59	0,85	1,00	1,00	0,60	0,93
Efes pislner	2,72	2	4	2	0,95	0,86	0,67	0,80	0,40	0,58
Amstel Light Beer	2,50	3	5	4	0,99	0,79	1,00	1,00	0,80	0,56
Cento	2,85	1	3	2	1,25	0,93	0,33	0,75	0,40	1,00
Svyturio Stipriausias	2,87	3	4	5	1,79	0,94	1,00	1,00	1,00	0,70
Kalnapilis 7.30	3,05	3	4	4	1,69	1,00	1,00	1,00	0,80	0,74
Perkuno	2,40	2	2	1	1,29	0,79	0,67	0,50	0,20	0,97
Obolon Non-Alcoholic	2,09	2	2	2	0,59	0,74	0,67	0,50	0,40	1,00
Kalnapilis Nealkoholis	2,28	3	3	3	0,77	0,81	1,00	0,75	0,60	0,77
Volfas Engelman Nealkohol	2,23	2	3	4	0,89	0,79	0,67	0,75	0,80	0,66
Svyturio Go Juodas	2,81	2	4	5	0,99	1,00	0,67	1,00	1,00	0,60



Table U.1

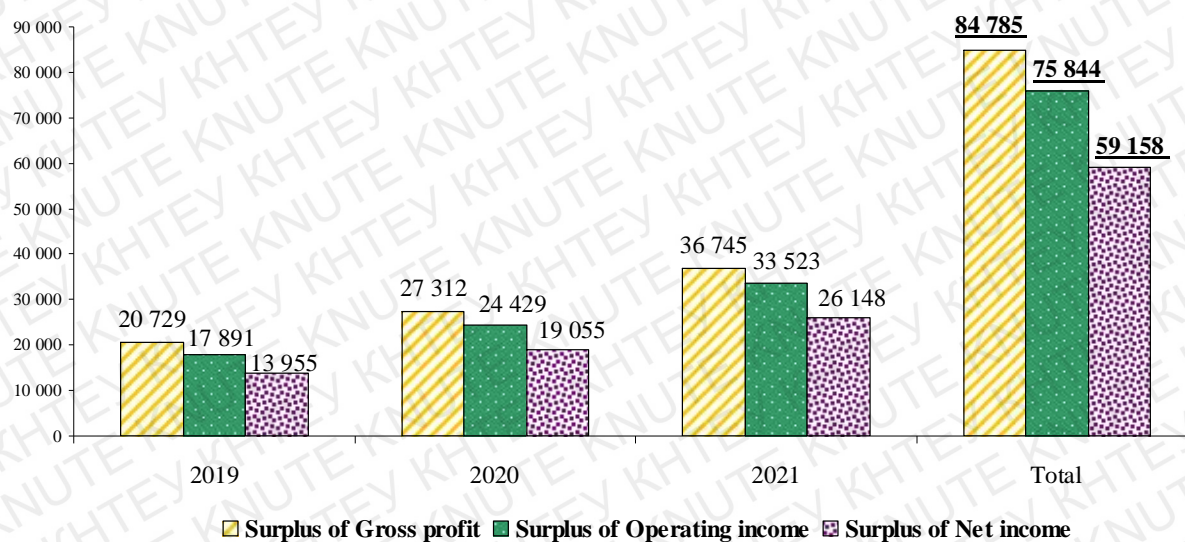
**The top lowest price beers in the retail segment in Lithuania (on the basis of prices in the IKI supermarket chain)**

No	Trade name of the beer and its characteristics	Volume of the bottle, liters	Alcohol content, %	Company	Price per bottle, euro
1	Leader Sviesusis	0.568	4.2 %	Kalnapilis-Tauras Group	0.49
2	Horns&Hooves	0.5	5 %	Obolon	0.55
3	Zibert Lager Bier	0.5	4.4 %	Obolon	0.59
4	Obolon Svetloje	0.5	4.5 %	Obolon	0.69
5	Magnat Exclusive	0.5	4.5 %	Obolon	0.69
6	Grunberger	0.5	5 %	Volfas Engelman Brewery	0.75
7	Holsten Premium	0.5	5 %	Svyturys-Utenos Alus	0.79
8	Tauras Sopeno Nr.1 (And Nr.6)	0.5	5 % (5.5 %)	Kalnapilis-Tauras Group	0.79
9	Kalnapilis Pilsner	0.5	4.6 %	Kalnapilis-Tauras Group	0.79
10	Tauras Pilsneris	0.568	4.6 %	Kalnapilis-Tauras Group	0.87
11	Tuborg	0.5	4.6 %	Svyturys-Utenos Alus	0.89
12	Faxe Premium	0.5	5%	Royal Unibrew	0.89
13	Svyturio Gintarinis	0.5	4.6%	Svyturys-Utenos Alus	0.95
14	Obolon Extra	0.5	6.8 %	Obolon	0.95
15	Cento	1	5 %	Obolon	0.89
16	Pamario	1	5 %	Svyturys-Utenos Alus	1.09
17	Tauras Pilsneris	1	4.6 %	Kalnapilis-Tauras Group	1.36
18	Kalnapilis Pilsner	1	4.6 %	Kalnapilis-Tauras Group	1.39
19	Tauras Taurusis	1	5 %	Kalnapilis-Tauras Group	1.45
20	Utenos Auksinis	1	5 %	Svyturys-Utenos Alus	1.49

Source: created by the author, prices received from official website of IKI supermarket chain

**The proposed version of a questionnaire which PJSC “Obolon” could place in the new English version official web-page**

1. Where are you from? (please, indicate country and the city)
2. Is it your first purchase of the Obolon production products?
  - a) yes
  - b) no
3. Which type of the product do you buy?
  - a) beer
  - b) soft drink
  - c) low alcohol drink
  - d) mineral water
4. What precise product do you buy? (There must be a list and consumer must simply choose the correct one)
5. Do you know about the product before purchase or it was a simultaneous decision?
6. If you know before, please indicate the source of information.
  - a) media
  - b) Internet
  - c) friends or acquaintances
  - d) your variant
7. Are you satisfied with the purchase?
  - a) yes
  - b) no
8. Do you want to buy again that precise product?
  - a) yes
  - b) no
9. If the answer to the previous question was “no” or you have some wishes, you may receive all your comments below.



*Fig.W.1 Effect of the implementation of proposed initiatives on the financial results of PJSC “Obolon” in 2019 -2021 years, thousand UAH*

*Source: created by the author*