

## **Practical problems and tests**

**Task 1.** Company A (Germany) has been specialized in the production of fittings and technical equipment (taps, units, shower equipment, etc.) for over 20 years. The company sells its products to both individual consumers for home furnishings and to businesses and organizations. The firm's share in the domestic market is 32%, in the French market - 8%, Belgium - 3%. A major trading company in the US annually purchases about 4% of the company's production for sale in the US market (5% share).

The total annual average of the company exceeds EUR 20 million and in French and Belgium - EUR 15 million. Differentiation of production of the company occurs in size, color, style, decoration (metal or plastic), which gives the opportunity to acquire stronger market positions.

Recently, the company began to conduct market research in Eastern Europe, including Ukraine. Some positive results have led the company to make a decision on the active introduction of its products to the Ukrainian market, the optimum term of introduction is 1 year.

### **Task:**

1. From the point of view of the German company to analyze the economic, political, legal, socio-cultural status of Ukraine, to determine the degree of attractiveness of the Ukrainian market.
2. To analyze one of possible directions of introduction of production of the German firm on the Ukrainian market, to identify potential difficulties and advantages of each direction:
  - \* direct export;
  - \* intermediary operations;
  - \* creation of a joint venture or a subsidiary;
  - \* Acquisition: vertically (wholesaler with an existing commodity network) or horizontally (acquisition of a controlling stake in a Ukrainian manufacturer).

**Task 2.** The Shostka Dairy Plant was built in 1981 and originally consisted of milk department and a small cheese factory. Gradually expanding the range of products, the plant was increasingly focused on the production of cheeses. In 2005, the Western NIS Enterprises Fund (WNISF, a fund managed by Horizon Capital), which has extensive experience in food business development, became a major shareholder of Shostka Dairy. Within a short period of cooperation with the WNISSEF, it was created a strong Shostka brand and marketed, a national distribution system was organized with a focus on civilized sales cities. The production of Shostka has been introduced into the price category “medium” and “above average”. The cooperation of the plant with WNISFF, managed by the company Horizon Capital, proved to be very useful, because as a result there was an opportunity to raise wages and solve many social issues. In 2005 the company created and launched the Shostka brand.

In 2007, the French group Bel acquired OJSC "Shostkinsky Miskmolkombinat", feeling the great potential of growth of the Ukrainian company and market, as well as wanting to strengthen its position in Eastern Europe. The Bel Group, a French family-owned company founded by Leon Belle in 1865, has grown into an international group specializing in the production of quality and unique cheeses available to everyone. Today Bel Group is represented in more than 120 countries by such international brands as La Vache qui rit, Mini Babybel, Kiri, Leerdammer, Belcube. It employs about 11,500 employees who are united by common values: ethics, innovation, enthusiasm and skill.

Now Shostka MMK is a part of Bel Group (Bel Shostka Ukraine Joint Stock Company) and has great prospects for further development within the company - a world expert in cheese production. Product quality has always been and remains a top priority of Bel Shostka Ukraine. It is not only equipped with laboratories, the purchase of modern equipment, control of each stage of the technological process, but also investment in the development of its own raw material zone. Today Bel Shostka Ukraine is the recognized leader of domestic cheese making. The company's products are recognized worthy of numerous honorary titles.

Investments play an important role in the system of ensuring the effective functioning of Bel Shostka JSC. Bel Shostka Ukraine JSC invests in: the main source of capacity building.

Solid cheeses make up the largest share in the sales structure of PJSC “Bel Shostka Ukraine” - up to 70%. The presence of its own transport facility allows delivering dairy products directly to buyers, but at the buyer's request, the goods are sold on the terms of self-export with compensation for transport costs. It should be noted that the indicators of solvency and financial sustainability of Bel Shostka Ukraine JSC tend to increase.

Due to foreign investments in recent years, Bel Shostka Ukraine has carried out a number of reconstructions to improve technology and increase the production capacity of dairy products, innovate activities regarding the creation of recipes for new types of cheeses, desserts, yoghurts and therapeutic drinks. New types of products were introduced such as Shostkinsky cheese, milk and kefir iodized, elite sugar-free yogurt, biolactone with stevia, Malvin cream. The enterprise uses an offensive innovation strategy. This strategy involves active research development focused on the results of marketing research of competitors' innovations and new consumer needs and requests.

**Task.**

1. Make SWOT-analysis of foreign economic activity of the enterprise.
2. Propose strategy for further development.

**Task 3. Practical case: WHAT TO EXPECT**

**Task:** Choose any product and try to **research foreign market** using all the instruments you have known.

Your business market, like everything else, will change with time. As your business matures and your market share steadily increases, you will probably begin to encounter the growth limits of your original target market. Planning and implementing a growth strategy to develop new foreign market and expand your business before your current market flattens will not only help your business

survive through tough times, it could also give you considerable edge on the competition.

### WHAT YOU SHOULD KNOW BEFORE GETTING STARTED

The decision to develop a new product can mark the beginning of an extremely difficult process for many businesses.

The information in this task is designed to be as broad-reaching as possible so that it may be adapted to a variety of situations. Applying the information in this task to your business will help you become more adept at expanding your business into new foreign markets.

This task can help you expand the market for your established products or services.

### HOW YOU SHOULD DO IT

- Step 1: Define your new target market(s)
- Step 2: Do your market research
- Step 3: Enter the market or look for another target market
- Step 4: Create a plan to enter the market

#### Step 1:

The first thing you will need to do as you begin your market expansion effort is to determine the demographics and the geographic location of the new target market. Determine which of the following categories characterizes your expansion efforts:

- Same Target Group, New Geographic Area
- New Target Group, Same Geographic Area
- New Target Group, New Geographic Area

WHO IS YOUR CUSTOMER? Age: Gender: Marital Status: Parental Status: Financial profile: Income: Investments: Debts: Profession: ..

### WHAT ARE YOUR CUSTOMER'S NEEDS?

Buying Habits: Interests: What is Important to Him/Her: Lifestyle: Other needs:

### HOW CAN YOU MEET THOSE NEEDS?

Reasons the new customer will buy your product:

How your product differs from your competitor's:

Identifying the boundaries at this stage will give you some ideas of where to focus your research activities. Now take some time and complete the worksheet for your new target market.

## Step 2: Do Your Market Research

Once you have developed a customer profile and identified the extent of your new target market, then you can do some basic market research to determine the following information:

Interest in your product or service

- Do customers currently use your product/service?
- Do customers have a need for your product/service?
- What would customers be willing to pay?
- What other products/services would they be interested in?

Current population trends of your targeted customers

- Expanding, shrinking or stable?

How to get your product/service to your customers

- What do your customers prefer?
- What are your competitors doing?
- What is the most economical?
- Can you establish a competitive advantage?

The number and strength of competitors in the target area.

- Who are they?
- Where are they located?
- What products or services do they offer?
- What is their image?
- What is their pricing structure?
- What is their performance history?
- What is their current share of the market?
- What are their strengths and weaknesses?

Generally, the results of your analysis should help you to answer these basic questions:

- What are the market trends?
- What are the trends for your market?
- Can I compete successfully in this new market?
- What will my market share be?
- What is your market share projection?
- Can I make a decent profit?

#### Step 3: Decide to Enter this Market or Look for Another Target Market

After you complete your analysis, you should have a good sense of the growth potential for your products or services and whether it is a sound financial decision. Your market analysis will help you make a "go/no go" decision, but don't be afraid to rely on your instincts. You may see something about the market that isn't easily identified with research data. Remember that the market analysis can only help you make a well-informed decision. There is always some degree of risk in any business decision you make.

#### Step 4: Enter the Target Market

After you have made the decision to enter a new market, your next step is to develop and implement a good strategic plan for promoting and delivering your products or services to that market. *This plan should focus on three key areas:*

- Promoting your products or services.
- Delivering your products or services to the customer
- Cultivating new market share and sustaining current business through customer satisfaction

*When you have completed this task, you should have a general understanding of the following key elements:*

- The process for thoroughly defining a new target market.
- The process for developing a profile of the target customer.
- Market research, including a sense of the information needed for good market research, and where to go for market research information.

- Market analysis its purpose and expected outcomes.
- The overall process of expanding your business into a new foreign market.

### **Typical tests**

**1. Management of foreign economic activity is:**

- a form of enterprise management in a market economy;
- a set of management systems for development of social production;
- a system for managing the external economic relations of the entities of the world economy;
- the process of organizing international economic relations.

**2. One of approaches to planning method, which involves studying the relationships between the structural elements of system of management of foreign economic activity - is:**

- structural;
- functional;
- integrative.

**3. Defining and substantiating by the entity of international business methods and tools for achieving long-term goals of foreign economic relations development:**

- organizing the FEA;
- planning the FEA;
- strategy of FEA.

**4. The method of planning the management of foreign economic activities, which provides for defining planning targets and development of current planning tasks:**

- the method of extrapolation;
- the objective tree method;
- the method of peer review.

**5. A system of personal and collective values, supported by all members of the organization:**

- corporate ethics;
- corporate culture;
- goodwill.

**6. An approach to the selection of personnel to work in the international company, which involves assessing exclusively the skills of the worker without regard to his culture and environment:**

- polycentrism;
- regiocentrism;
- geocentrism.

**7. "Free alongside ship" is the essential content of the basic condition of delivery:**

- EXW

- FOB
- FAS
- FSA

**8. An offer sent to one prospective buyer with an expiration date is called:**

- unconditional acceptance;
- free tender;
- firm offer;
- controller.

**9. The International Marketing Complex (4P) has four main elements:**

- goods, price, demand, sales;
- product, price, place, promotion;
- product, price, promotion, advertising;
- product, promotion, demand, market.

**10. Segmentation of the consumer market by consumer groups is performed on the following factors:**

- geographical and demographic;
- psychographic;
- consumer behavior;
- all listed factors.

**11. The features of the development of foreign economic activity in modern conditions do not include:**

- internationalization of economic life;
- simplifying the structure of the world market;
- development of globalization processes;
- increasing competition in the global economy.

**12. The FEA entities include:**

- states, groups of states, international organizations;
- international economic organizations, international economic organizations, socio-political organizations;
- states, international organizations;
- all answers are correct.

**13. A complex of country resources that can be used to develop its foreign economic activity are:**

- national economy;
- international economy;
- export potential;
- world economy.

**14. The political and legal environment includes:**

- model of economic management, level of scientific development;
- level of political stability, level of political risk;
- level of economic development, administrative measures of regulation;
- there is no right answer.

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- level of political stability, model of economic management, level of political risk;
- level of economic development, administrative measures of regulation, level of political risk;
- there is no right answer.

**19. The environment of foreign economic activity is:**

- set of external factors of the company's activity that affect its life and making certain managerial decisions
- a set of general macroeconomic factors of the situation in foreign markets
- set of regulated factors of a specific commodity market
- a set of independent entities that influence the development of a particular market, business, individual company

**20. When choosing forms and methods of work in the foreign market, the following measures are taken:**

- study of trade and political conditions of work, customs regime, availability of free economic zones, transport conditions of the country of the counterparty;
- establishment of non-tariff barriers, promotion of events, sponsorship of cultural projects;
- choice of negotiation tactics, conclusion of a joint project of the contract, sending of the control;
- conclusion and control over the implementation of the agreement.

**21. Type of foreign economic activity that does not involve investing:**

- joint venture;
- export;
- a branch of TNCs;
- a subsidiary.

**22. The main foreign economic transactions include:**

- international transportation;
- foreign trade;
- customs clearance;
- insurance.

**23. Name the type of foreign trade activity that involves investing:**

- export;
- licensing;
- joint venture;
- production cooperation.

**24 The place and date of conclusion of the contract should include:**

- in the preamble
- in the subject matter of the contract
- in other circumstances
- at the end of the contract

**25. International business contracts, which provide for one foreign trade operation:**

- one-sided
- bilateral
- simple
- complex

**26. The main motives for the development of FEA at the enterprise level are:**

- expanding the market for their products beyond national borders in order to maximize profits
- purchase of necessary raw materials, components, new technologies and equipment
- attraction of foreign investments for the purpose of modernization of production, strengthening of export potential and competitive position in world commodity markets
- all listed factors

**27. Liberalization Policy is:**

- minimal state interference in the FEA and unrestricted access to imports to domestic markets
- state interference in the FEA and restricting the access of imports to the domestic markets
- pursuing a policy of selective protectionism
- a policy of supporting a national producer by limiting access to imports to domestic markets

**28. The basic terms of delivery of "Incoterms - 2010" "Basic transportation costs paid" include:**

- EXW
- FAS, FCA, FOB
- CFR, CIF, CPT, CIP
- DAT, DAP, DDP

**29. Transportation insurance under the international contract is paid by exporter in the following basic condition of delivery:**

- EXW
- FOB
- CFR
- CIF

**30. Choose the term of the basic terms of delivery, when the contract value will be highest:**

- CIF - insurance and transportation
- FOB – free on board

- CIF - cost, insurance, freight
- DDP – delivered duty paid

**31. An indicator that shows the percentage of imports to GDP:**

- import quota                      - foreign trade balance quota                      - export quota
- foreign trade balance

**32. The term "Incoterms" is a short set of words:**

- international trading characteristics
- international commercial terms
- means of international transportation
- the mechanism of distribution of responsibilities

**33. Export and import formalities (export and import quotas, licenses, duties and customs charges, other taxation) are borne by the exporter (seller) under the basic terms of delivery of "Incoterms-2010":**

- DAP                      - DDP                      - CIF                      - DFT

**34. The set of export-import relations of the country with other entities of the world economy is called:**

- international financial exchange
- foreign trade
- leasing
- franchising

**35. The tariff means of regulation of foreign economic activity include:**

- contingent                                              - customs tax                                              - quotas
- licensing

**36. The principle of state policy to support national producers of finished goods, which restricts free trade, is called:**

- promotion                                              - liberalization                                              - protectionism
- free trade

**37. The country's foreign trade turnover is:**

- the amount of exports and imports of goods and services
- the difference between export and import
- aggregate imports of goods, services, capital, labor
- aggregate exports of goods, services, capital, labor

**38. The document, issued by the ship owner, certifying the acceptance of the cargo for transportation**

**by sea in line navigation, is:**

- bill of lading                                              - air waybill                                              - road bill                                              - the Versailles transport document

**39. The duty, calculated as a percentage of the customs value of a consignment of goods, is:**

- special                                              - combined                                              - ad valorem                                              - specific

**40. Number of original bills of lading:**

- 1                                              - 2                                              - 3                                              - 4

**41. The bill of lading is:**

- document for the management of goods in line shipping
- a document on the disposal of goods in tramp shipping
- document for the disposal of goods in liner and tramp - shipping
- document for the disposal of goods during rail transportation

**42. The bill of lading is issued:**

- once to carry a specific consignment
- once for the carriage of several consignments
- once for transportation of goods during the month
- for transportation of goods during the year

**43. The features of maritime transport include:**

- the need for the construction of hydraulic structures
- no impact on the environment
- seasonality of transportation
- transport efficiency over 200 km

**44. Environmental independence is characteristic of:**

- maritime transport
- railway transport
- air transport
- pipeline transport

**45. The environment of foreign economic activity is:**

- a complex of external factors of the company's activity that affect its life and making certain managerial decisions
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**50. All the companies running business on the certain market can be divided into following groups:**

- leaders and followers
- leaders, followers and nichers
- leaders, challengers, followers and nichers