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THEORETICAL BASICS OF THE STRATEGY OF THE ENTRY OF FOREIGN ENTERPRISES TO THE MARKETS OF UKRAINE

Abstract. *The essence of the main strategies of entry of foreign enterprises to the markets of Ukraine is considered. It was determined that the structuring of strategy development allows to more clearly define the tasks, ways and directions of work and actions to solve the problem of choosing and entering the most promising foreign markets, to assess the opportunities and resources for successful promotion in this market, to determine the necessary conditions for the adaptation of enterprises and their product politician to the conditions of the foreign market. It has been proven that enterprises planning to enter a foreign market must first choose a market, strategy and methods of entering it, as well as adapt the product to the conditions of the new place of sale. It has been established that export, cooperation and integration can be the main strategies for enterprises to enter the foreign market, each of which has its own forms, which diversify further actions, tactics and business relations of economic entities, require different resources in terms of both composition and volume.*

Keywords: *export; import; foreign economic activity; market entry strategies; enterprises; Ukrainian markets; foreign markets.*

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ТЕОРЕТИЧНІ ОСНОВИ СТРАТЕГІЇ ВИХОДУ ІНОЗЕМНИХ ПІДПРИЄМСТВ НА РИНКИ УКРАЇНИ

Анотація. *Розглянуто сутність основних стратегій виходу іноземних підприємств на ринки України. Визначено, що структурування розробки стратегії дозволяє більш чітко визначити завдання, шляхи та напрямки робіт та дій для вирішення проблеми вибору та виходу на найбільш перспективні зарубіжні ринки, оцінити можливості та ресурси задля вдалого просування на даному ринку, визначити необхідні умови для адаптації підприємств та їх товарних політик до умов зовнішнього ринку. Доведено, що підприємства, що планують вихід на зовнішній ринок, мають, перш за все, обрати ринок, стратегію та методи виходу на нього, а також адаптувати товар відповідно до умов нового місця збуту. Встановлено, що основними стратегіями виходу підприємств на зарубіжний ринок можуть стати експорт, кооперація та інтеграція, кожна з яких має свої форми, що урізноманітнює подальші дії, тактику та ділові стосунки суб'єктів господарювання, потребує різних ресурсів як за складом, так і за обсягом.*

Ключові слова: *експорт; імпорт; зовнішньоекономічна діяльність; стратегії виходу на ринки; підприємства; ринки України; зарубіжні ринки.*

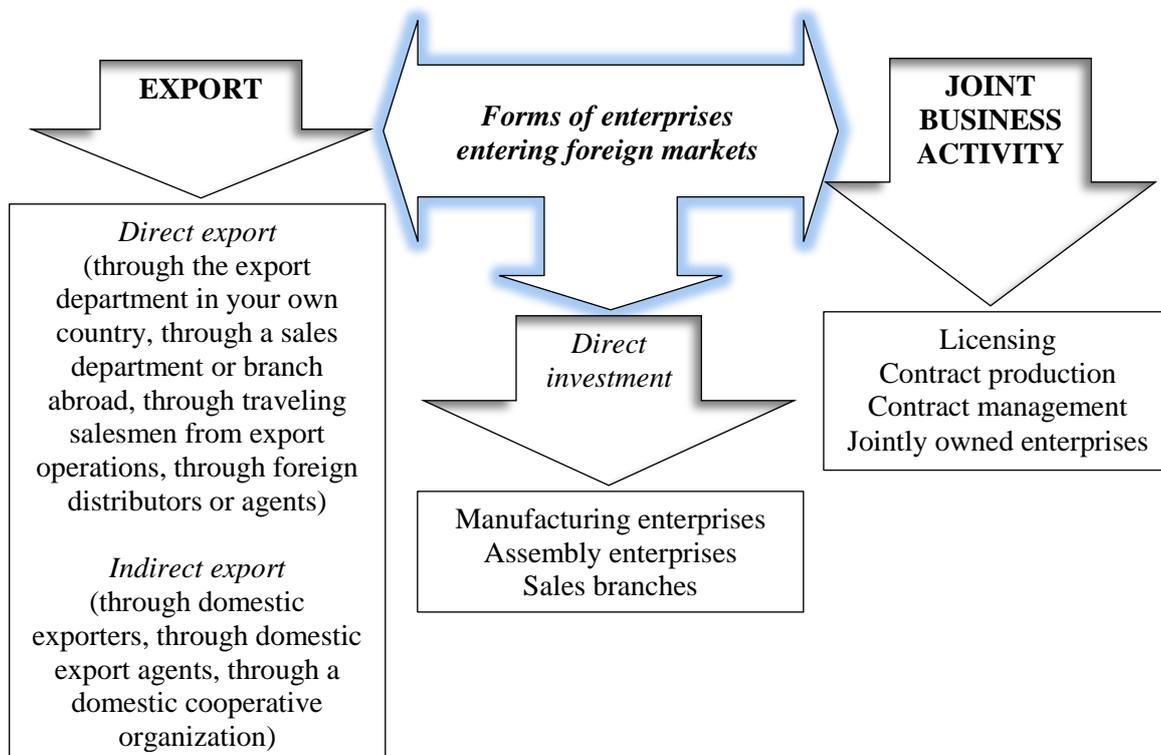
Introduction. In the conditions of the globalization of the modern economy, a significant number of enterprises strive to master foreign markets, thereby asserting leading positions in their own industry. The domestic market is not large enough and is not able to absorb all the offered products, which forces enterprises to enter foreign markets, where the competition is much higher. Therefore, in order to ensure effective foreign economic activity, the enterprise needs to clearly define its development strategy, which will provide long-term competitive advantages in the future. The entry of a business into the international arena allows you to attract new customers, reduce the risk of losses, increase the competitiveness of the enterprise and increase its capitalization. The article defines the factors that determine the

necessity and possibility of enterprises entering the foreign market: factors of market potential and market environment, technological, economic, competitive factors. Special attention is paid to the consideration of strategies for enterprises to enter the foreign market: export of goods and services, compensation agreements, joint ventures, etc.

Actual moments in studying and researching the strategies of enterprises entering foreign markets were analyzed by a number of authors who study the problems of foreign economic activity, international trade, and who emphasize the need for strategic management in this area. They made a special contribution in this direction O.M. Kovinko, D.K. Tkach, S. Polkovnychenko, I. Yelchyshcheva, A.V. Aharkova, V.Yu. Kashchieieva, A.S. Cheban, T.V. Averikhina, L.M. Tytarenko, V.V. Dobrianska, K.Yu. Bykova, K.P. Boldovska, D.V. Andrieieva, Ye.Zh. Zamiatina, M.Yu. Latushko, T.V. Shtal, V.O. Kozub, A.N. Nakhmetov, E.O. Kovtun, Ye.S. Denysevych, D.Ye. Zaitseva, S.I. Vasyliieva, I.S. Kochevykh and others.

The aim of the research. The purpose of the article is to present the strategies and stages of entering the foreign market, a comparative description of strategies based on selected criteria for enterprises looking for a market niche for their products, and the choice of one that can be the basis of trade policy.

Results of the investigation. The organization of the international activity of the enterprise involves the choice of a way to enter foreign markets, which depends on the purpose of the enterprise, the scale of activity, the nature of the product and intentions to control sales. The potential volume of sales, costs and investments for organizing the movement of goods, availability of trained personnel (salespeople) and other conditions are also taken into account. It can focus on exports, joint ventures or direct investment abroad. Each subsequent strategic approach requires greater commitment and greater risk, but also promises higher returns. Forms of entering foreign markets are shown in Fig. 1.



Source: based on [9–12].

Fig. 1. Forms of access to foreign markets

In the case of the export strategy, production remains on the national territory, which has its own disadvantages and advantages. Joint ventures and direct investment require the organization of production abroad. At the same time, some forms of joint entrepreneurship are implemented based on concluding contracts, without additional investments, while joint ownership and direct investment involve investments, that is, long-term capital investments in enterprises, socio-economic programs, entrepreneurial and innovative projects. This determines the allocation of certain forms of strategies for entering the foreign market [1–5].

Let us consider the features of each form and the conditions of their use. Export refers to the sale on foreign markets of goods and services produced or performed in one's own country. Advantages of this method: requires minimal changes in the product range of the enterprise, its structure; requires minimal investment costs and current financial obligations; ensures minimal risk when entering the market and ease of exit [6–8].

A distinction is made between direct and indirect exports. Direct implies that the producer sells his goods and services independently. There are several ways of organizing direct export:

a) export department or subdivision, whose responsibilities include sales abroad and organizing the collection of necessary information about the market;

b) a foreign sales department or a subsidiary company that ensures the effect of direct presence on the market and the implementation of control over the implementation of marketing programs; the foreign sales department carries out sales and distribution of products, sometimes it is entrusted with the organization, storage and promotion of goods, demonstration and service center;

c) sales representatives, to find foreign customers, that is, the company uses its sales representatives;

d) foreign distributors or agents. To organize the sale of products, the company turns to foreign distributors or agents, who may be granted exclusive or limited rights to represent the manufacturer in a specific country [9–11].

At the same time, the use of this trading method requires high commercial qualification of the staff and trading experience of the campaign as a whole. Otherwise, the company's financial expenses will not only not decrease, but may also increase significantly. In addition, international trade is riskier than domestic trade due to differences in economic, legal and social conditions in different countries, their traditions and customs, as well as large distances between trading partners. As a result, to conduct international trade operations, it is advisable to involve intermediaries [13; 14; 15].

Indirect export involves the organization of trading through intermediaries (trading companies and other intermediary firms); trading through organized commodity markets, i.e. through international commodity exchanges, tenders (trades), auctions and exhibitions/fairs. Indirect export is especially necessary in conditions where the manufacturer does not have sufficient information about the foreign market or experience working in it, so he prefers to reduce his own risk by transferring the sales function to an intermediary firm. Indirect export has two advantages: firstly, its implementation does not require significant funds; there is no need to create an export department that will deal with sales abroad or establish contacts with foreign partners. Secondly, such exports are less risky, because intermediaries act on their own initiative, based on knowledge of foreign market conditions, and offer additional services to the manufacturer [6–9].

The use of intermediaries in exporting has not only advantages, but also disadvantages:

a) exporter's goods to all available segments of the target market due to various reasons. isolation of the manufacturer from the market, lack of information about the consumer's reaction to the product;

- b) dependence of the exporter on the intermediary;
- c) insufficient attention of the intermediary to work with the exporter's goods.

The next form of entry of enterprises to foreign markets is licensing – joint venture (JV), which is based on the fact that the licensor (seller) transfers to the licensee (buyer) the right to use the production process, patent, trademark in exchange for a fee or license payment. Depending on the nature of the subject and the legal basis, international operations on trade in scientific and technical knowledge are divided into two types:

- a) patent and license trade transactions;
- b) operations on trade in technical services.

The subject of the license can be: any development of a constructive, technological nature; the composition of the material, mixture or alloy; substances; method of treatment; methods of mineral exploration and development; calculation methods (including mathematical tools and computer programs); information of an organizational, financial, managerial nature, etc., both those that contain inventions and those that do not have them, as well as trademarks, industrial designs, copyrights [8–11].

At the same time, the subject of the license must have patent purity, that is, the legal property of the subject, which means that it can be used in a certain country without violating the protective documents of exclusive rights in force on its territory – patents belonging to third parties. The licensor gets access to the market with minimal risk, and the licensee does not have to start from scratch, because he immediately gains production experience, a well-known product or name.

The use of licensing in SPD has economic, strategic and political motives. The economic motives are that the licensor reduces the risk of establishing production abroad due to the small volume of sales, the danger of product improvement by a competitor, limited resources, etc. Large enterprises with diversified production, reviewing the range, focus their efforts on the strengths of their activities, which give high profits. By selling licenses, they give up products and technology that are not of interest today. This is the strategic motive of the license agreement. The benefits of license trading are presented in Table 1.

Table 1

Advantages of license trading

<i>For the licensor</i>	<i>For the licensee</i>
a) in a short period of time to pay off the costs of scientific and research works used for the development of the invention; b) to receive additional profit due to the rapid development of the invention and the release of new products based on it; c) use local, cheaper labor force; d) ensure proximity to sources of raw materials; e) overcome currency and customs restrictions	a) the possibility of saving on scientific and research works; b) at the same time, access to advanced scientific and technical achievements; c) the purchase of licenses complements and expands own research; d) the possibility of carrying out the process of diversification; e) buying a license allows you to save time, which is especially important in connection with shortening the period of moral obsolescence of the product and joining the latest technological achievements

Source: based on [6–11].

The main advantage of licensed production is that, apart from knowledge, no material assets are exported abroad. At the same time, it gets rid of the need to show its own activity. That is why this direction is popular among small and medium-sized enterprises. In recent years,

the most widespread form of economic integration of large-scale and small-scale production, especially in the sphere of services and trade, has become a system of contractual relations such as franchising [4–7].

Franchising is a business organization in which a company (franchisor) transfers to a certain person or company (franchisee) the right to sell a product or service under its trademark. The franchisee undertakes to sell this product or service according to predetermined laws and business rules established by the franchisor. In exchange for compliance with these rules, the franchisee receives permission to use the franchisor's name, reputation, product and services, marketing technology, expertise, and support mechanisms.

Another type of SPD strategy is contract manufacturing that is, concluding a contract with local manufacturers for the production of goods. Reasons for using this method [6]: shortage of own capacities; the presence of obstacles to export to the relevant country; high transport costs; savings on production factors. The general scheme of contract production in practice has various modifications. The production of components has gained considerable popularity. Types of contract production include processing of raw materials – tolling operations. This way of entering the foreign market also has disadvantages. By applying it, the company has less control over the production process, which may result in the loss of part of the potential profits. However, contract manufacturing gives the company the opportunity to expand its activities on the foreign market faster, with less risk and with the prospect of entering into a partnership with a local manufacturer or buying his company [2–6].

One of the forms of joint entrepreneurship is Management Contracting, it is widely used in developing countries that have capital and personnel, but do not have the necessary knowledge and skilled workers. Proposals for cooperation with the participation of foreign capital in these countries are often rejected due to the fear of allowing excessive foreign presence. The agreement to carry out a complex of works in the field of management is limited in time, and at the end of the agreement, local ones will replace foreign specialists.

Therefore, using Management Contracting, the firm exports not goods, but management services. Most often, this is done in the form of consultations for foreign companies.

Another way to enter the foreign market is to create a jointly owned enterprise. Joint ownership is a form of joint entrepreneurship in which foreign and local investors join forces to create a local commercial enterprise that they jointly own and manage. This type of enterprise is created and managed together with foreign and local investors, usually private firms, but sometimes state-owned enterprises or even government agencies. Several foreign companies can also form joint ventures in a third country. The purpose of this strategy is for companies to penetrate new markets with lower costs and risk than in the case of using other investment methods [7–9].

The main motives for using joint ventures as a strategy for entering the world market are: reduction of capital costs and reduction of risk when creating new capacities; acquisition of sources of raw materials or a new production base; expansion of existing production capacities; realization of advantages of lower cost of production factors; the possibility of avoiding cyclicity or seasonality in case of production instability; adaptation to the process of shortening the life cycle of products; increasing the effectiveness of existing marketing; acquisition of new trade channels; the possibility of penetrating a specific geographic market; study of needs; gaining management experience in new markets; adaptation to the host country.

A special place among the methods of entering the foreign market of the enterprise belongs to direct investment or capital transfer. One of the advantages of such a strategy is that the company can save money due to cheaper labor or raw materials, due to the benefits provided by foreign governments to foreign investors, due to the reduction of transportation costs, etc. By creating jobs in a partner country, the company thereby provides itself with a more favorable

climate in that country. Applying the strategy of direct investment, the company establishes deeper relations with government bodies, customers, suppliers and distributors of the country in whose market it enters. This makes it possible to better adapt your products to the local marketing environment [6-9] Also, accordingly, an important stage of foreign trade operations is the analysis of the company's resources and capabilities when entering foreign markets or markets of certain geographical regions or certain countries (Table 2).

Table 2

**Main tasks for analyzing the company's resources and capabilities
when entering foreign markets**

<i>Types of resources and capabilities of the enterprise</i>	<i>Analytical tasks</i>
Financial resources	<ol style="list-style-type: none"> 1. Study of the structure, composition and sources of capital formation. 2. Determination of the value of individual sources of capital attraction. 3. Assessment of the level of financial risk.
Workforce	<ol style="list-style-type: none"> 1. Study of the enterprise's provision of labor resources. 2. Evaluation of the effectiveness of the use of labor resources.
Production facilities	<ol style="list-style-type: none"> 1. Determination of the enterprise's supply of production facilities. 2. Assessment of the degree of conformity of the produced goods to the requirements of consumers.
R&D	<ol style="list-style-type: none"> 1. Compliance of goods with international quality standards. 2. The level of R&D technical equipment. 3. Innovative component in products developed by R&D.
Transport and logistics possibilities	<ol style="list-style-type: none"> 1. Assessment of warehouse system capacity. 2. Evaluation of the equipment of the transport fleet of enterprises. 3. The level of wear and tear of the transport fleet.
Marketing opportunities	<ol style="list-style-type: none"> 1. Assessment of opportunities to obtain up-to-date information on foreign markets. 2. Evaluation of the experience of doing business in the markets. 3. Assessment of the establishment of relations in the foreign market.
Commodity policy	<ol style="list-style-type: none"> 1. Adaptation of the product to the conditions of the foreign market 2. Product standardization. 3. Carrying out an adaptive assortment policy.

Source: based on [2-7].

Conclusions. Therefore, going international is an important step for any business. Structuring the development of a strategy allows you to more clearly define tasks, ways and directions of work and actions to solve the problem of choosing and entering the most promising foreign markets, evaluate opportunities and resources for successful promotion in this market, determine the necessary conditions for adapting enterprises and their product policies to the conditions foreign market. Enterprises planning to enter the foreign market must first choose the market, strategy and methods of entering it, as well as adapt the product according to the conditions of the new place of sale. Export, cooperation and integration can be the main strategies of enterprises entering the foreign market, each of which has its own forms,

diversifying further actions, tactics and business relations of business entities, requiring different resources in terms of both composition and volume.

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