Project of Marketing Strategy for Penetrating Czech Market by Foreign Company

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- **Compile the theoretical information about penetrating planning.**

II. Practical part

- **Complete the analysis of current marketing situation and marketing environment in a foreign company.**
- **Prepare the project of marketing strategy for next 2014-2015 years.**
- **Submit the project to risk, cost, and time analysis.**

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MASTER'S THESIS
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ABSTRAKT

Procesy internacionalizace a globalizace, které se dějí ve světovém měřítku, vytvářejí podnikatelské prostředí mnohem konkurenceschopnější než kdy předtím. Proto, pokud společnost chce soutěžit s mezinárodními hráči na domácím trhu, by měla také rozšířit své aktivity na zahraničních trzích a mít výhodu z úspor z rozsahu.

Cukrářský průmysl je jedním z nejvíce koncentrovaných trhů z hlediska hospodářské soutěže. Existuje několik světových společností, které na těchto trzích působí a které mají kontrolu nad většinou z trhu v důsledku jejich akvizičních činností. To je důvod, proč pro Roshen Corporation jako jednoho z největších výrobců cukrářských výrobků, je velmi důležité rozvíjet své podnikání dál.

Cílem tohoto projektu je analyzovat specifika českého trhu cukrovinek z hlediska jeho atraktivity a ziskovosti pro zahraniční společnosti pro vstup na tento trh. Zaměřuje se také na vývoj marketingové strategie, včetně produktu, cenění, propagace a strategie umístění pro proniknutí na český trh sladkostí.

Klíčová slova: mezinárodní marketing, průmysl cukrovinek, penetrační strategie.

ABSTRACT

The processes of internationalization and globalization which take place on a world scale make business environment more competitive than ever before. Therefore, if company wants to compete with international players on the domestic market, it should also expand its operations to the foreign markets and take an advantage of the economy of scale.

Confectionary industry is one of the most concentrated markets in terms of competition. There are several global companies operating on it, which have a control over the most of the market due to theirs acquisition activities. That is why for Roshen Corporation being one of the biggest confectionary producers, it is crucial to develop its business farther.

The aim of this project is to analyse specifics of the Czech confectionary market from a perspective of its attractiveness and profitability for a foreign company to entry. It also focuses on development of marketing strategy including product, pricing, promotional and placing strategies for penetration the Czech market of sweets.

Keywords: international marketing, confectionary industry, penetration strategy.

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INTRODUCTION

Over the last few decades companies have been operating in an increasingly global environment. Companies internationalize more than ever before. This means that many firms are enlarging their businesses from operating only on domestic market to selling in one or more international markets. At the same time the international environment is more complicated and more competitive today. Therefore there are a big number of theories developed, and researches made about different ways of internationalization and combinations of entry strategies. Certainly the critical change in the world economy is so called “globalization of markets”. According to Axinn and Matthynssens (2001) global market is a phenomenon which is the result of convergence and similarity of economies and cultures. The authors of the article named three main factors that enable the development of global market (Axinn, Matthynssens, 2001):

1. advances in telecommunication technologies, Internet, enable faster and efficient communication within and between firms;
2. improvements in transportation: such means as containers, air travel, and supertankers facilitate faster and more effective movement of goods and people within and between countries worldwide;
3. production process progress, e.g. flexible production systems enable cost-effective product adaptation.

At the same time such market agreements as WTO, NAFTA, and MERCOSUR allow a significant decrease in trade barriers. Also, authors emphasize internationalization of lifestyles as one more driver of globalization, as well as creation of EURO currency, and opening of Eastern and Central Europe economies.

Eventually, there is a tendency of increasing investments, global mergers and acquisitions, growing trade between trading regions, and increasing worldwide competition.

Moreover, electronic business and revolution in information technology led to change in many management, marketing and internationalization theories. The Internet has a great impact on international trade in terms of cost savings, speedier market penetration, and availability of information for product or service improvement and transformation. In addition, companies can more easily get access to customer databases, market research information, and connect with potential partners.

I. THEORY

1 INTERNATIONAL MARKETING

1.1 International marketing environment

One of the definitions of international marketing suggested by Bradley (2005) says:
“International marketing means identifying needs and wants of customers in different markets and cultures, providing products, services, technologies and ideas to give the firm a competitive marketing advantage, communicating information about these products and services and distributing and exchanging them internationally through one or a combination of foreign market entry modes.”

It is clear from the definition that to satisfy different needs and wants of customers, firms have to take decisions on their marketing mix across the countries. Sharp (2013) pointing our several factors that have to be considered in a global marketing environment (Appendix 1), many of which directly or indirectly influence companies’ marketing strategies.

The differences between markets are falling into six categories: political, economic, socio-cultural, technological, environmental, and legal factors. The variations in **socio-cultural environment** is merely the most important and the most difficult to identify. The multinational companies should study those differences and incorporate them in their marketing strategy. The culture is defines as a sum of beliefs, rules, customs, techniques, and traditions, that characterize human population (Sharp, 2013). According to Sharp (2013), the culture has three main characteristics:

1. It can be learnt – one is burn in the culture and acquires its norms through life.
2. It is dynamic – the acceptable behaviour is changing.
3. It is subjective – the perception is based on personal experience.

In order to understand culture, it is necessary to look at it through its elements: language, religion, customs, and manners. Culture has strong effect on the product itself, on the price, place, and promotion.

Sharp (2013) pointing out that not all products have to be adapted to local conditions. For instance, food needs to be customized according to specifics of each country’s cuisine, but computer chips are standard global product. The author also suggests three attributes of the product that should be considered for the decision of standardization degree:

1. Physical attributes including size, weight, package, name, etc.
2. Service attributes: delivery, warranty, post-sale services.
3. Symbolic attributes: colour, shape, meaning of the brand name.

The price is also affected by socio-cultural factors. The most multinational companies have different pricing policy across the countries (Doole, Lowe, 2008). The reason for that is the differentiation in willingness to pay for the same product in different countries. For example, in such countries as Canada, USA or the UK people like fast-food and in total spend around 10% of their income on grocery. However, food is more important for cultures of France, Italy, and Germany, so people spend approximately 15% of their disposable income for food (Sharp, 2013).

The culture has a strong influence on promotional activities of the international companies. For instance, the topic of sex is taboo in some of the countries, and it is not appropriate to use it in the advertising, unlike for many European countries. Other cultural issues to be aware in promotional campaign are following (Usunier, Lee, 2013):

- gender roles;
- family model;
- humour;
- acceptability of competitive advertising, etc.

The impact of culture on distribution channel might be not as obvious as on other elements of marketing mix, but still has to be taken into account. The example of such influence is shopping behaviour of customers in different countries: time spent in the shop, return policy, opening hours, effectiveness of hypermarkets, and so on (Burca, Fletcher, Brown, 2004).

It is essential for the company to know the **legal environment** in the each country it operates. The laws dictate the rules of the business and trade for the activity of international companies. The companies that have business in European Union have to cope with ever-increasing regulations. The legal environment of the international markets has three main dimensions (Doole, Lowe, 2008):

1. Domestic laws. Usually it is very complicated for the firm to figure out all the details of the market it's going to establish the business in, so it is recommended to resort to the help of the expert.
2. International law: piracy, hijacking, patents, trademarks, legal systems within economic group, e.g. EU.
3. Domestic law in the home market: export control, duties to act according to national laws, etc.

The political environment can influence organization's decision-making process, planning, implementation, and control over its activities. The factors of political environment are taxes, attitudes to sovereignty, equity issue, expropriation of profit, exchange control, labour restrictions, price control, and market control. The level of political stability defines the political risk in the country which might become a determinant in the decision of the large market players to invest. There are three types of political risk (Lee, Carter, 2012):

1. Ownership risk: degree of protection of the lives, property, and intellectual property.
2. Operating risk: the extent to which political activities interfere into the international business of the firm.
3. Transfer risk: the problems of capital transfer between the countries.

The economic situation of the country that company is entering is characterized by currency fluctuations, stock market, GDP, purchasing power, disposable income of the population, gross national income (GNI) and others. For analysis of the markets, economies are classified in the following way (Lee, Carter, 2012):

- *less-developed*: countries at their first stages of industrialization, the domestic market has a tendency to grow, increasing competition;
- *newly-emerging*: higher level of industrialization, reducing dependence on labour-intensive industries (like agriculture), rising wages and literacy rate;
- *emergent*: advanced level of industrialization;
- *post-industrial*: information technology and 'knowledge-industry' markets, innovations.

The companies have to be aware of the economic policies of the foreign country they try to penetrate and the direction of the particular market development in order to properly evaluate the chances for success (Doole, Lowe, 2008).

Technology is a driver of global development of logistics and transportation, and communication. Previously, e-commerce was one of the biggest developments that had an impact on marketing, while now social networks like Facebook, Twitter, MySpace, Pinterest, YouTube and others are considered to be of a great effect. There has been a 150% increase in the Internet use worldwide since 2000 (Lee, Carter, 2012). The advances in technology in general have a considerable influence on marketing mix. Products are became cheaper to make with retaining the high quality, the distribution is faster, the communication and relations with customers are closer (Hollensen, 2011). Together with technological advances the considerations for international marketing are coming (Sharp, 2013):

1. Protection of the intellectual properties and patents in other countries.
2. Conformation of the firm's technology to local laws.
3. The stage of technology in the product life cycle in the different countries.

According to Armstrong and Kotler (2013) an international environment analysis can be done in a number of ways: the most popular tools are SLEPT (Social, Legal, Economic, Political, and Technological factors), STEEPLE (Social, Technological, Economic, Ecological, Political, Legal, and Ethical factors) or PESTLE (Political, Economic, Social, Technological, Legal, and Environmental factors). Those factors have to be evaluated in terms of impact and importance.

1.1.1 The competitive environment

Both global and local markets are characterized by increasing competition. However 50 global companies have control over third of the world's resources. The competitive situation is intensified by merge and acquisition processes, as well as advanced technologies and communication. In order to gain a competitive advantage, the increasing number of companies is utilizing outsourcing and value chain analysis. For instance, many automobile companies like Toyota or Volkswagen order components for the cars from all around Europe. Such sophisticated database systems as Oracle is getting employed by more and more organizations which are seeking for high-tech and efficient competitor intelligence systems (Lee, Carter, 2012).

Michael Porter suggests the companies must understand competitive pattern in their industry in order to be successful player in the market. Therefore he developed the five-force model for competitive analysis (Porter, 1998):

- the threat of new entrants;
- the bargaining power of buyers;
- the threat of substitutes;
- the bargaining power of suppliers;
- the intensity of rivalry.

In international marketing, Porter highlights the importance of balancing these five forces in the process of strategic moves so that company will be able to defend itself against competitors.

The macro competitive advantage is experiencing dramatic changes. The Internet, newly emerging innovations, development of BRIC, income growth, and diminishing of location as an essential factor of competition, it all play the role. The location as a strong advantage, such as cheap labour and natural harbour, before was fundamental for comparative advantage. Nowadays the competition is more dynamic and previous elements of comparative advantage are far less relative. Today companies are strengthening their positions through global sourcing and so called "cooperation to compete" (Lee, Carter, 2012).

On the one hand it is easy to identify current competitors, but the threat can occur from emerging companies. Once the firm identified its competitors, it should assess their objectives, strategies, strength and weak sides (Kotler, Keller, 2012).

Kotler (2012) also suggest the utilization of benchmarking as a tool for competitor's analysis and eliminating the gaps between the company's current state of performance with the market leaders who do it better. Benchmarking can be done in the following steps:

1. Decide which factors to benchmark;
2. Determine the crucial variable to measure;
3. Identify the leaders in the particular market;
4. Evaluate the performance of the market leading companies;
5. Measure and compare the firm's performance;
6. Determine the actions to close the gap;
7. Execute and control the results.

1.2 Modes of Foreign Entry

The way domestic companies are entering foreign markets is considered to be based on some specific advantages which may have organizational, productive, managerial or technological character, that are possible to exploit in foreign markets.

The identification of an appropriate method of new market entry depends on the following factors (Cavusgil, Knight, Riesenberger, 2008):

- Type of the product
- Size of the market
- Potential market share

- Growth of the market
- Marketing strategy
- Characteristic of the country of new market (political and economic risks)
- Time horizon
- Transport costs and trade barriers

1.2.1 Exporting

In order to enter a foreign market the company must decide whether market factors favour exporting or manufacturing abroad. **Exporting** is often the first method companies use to enter foreign market, but there are some cases when exporting might be not suitable for one company (Table 1).

Table 1: Reasons for and against exporting (Burca, Fletcher, Brown, 2004)

Exporting is attractive	Exporting is not attractive
1. Relatively low cost	1.Lower-cost manufacturing locations exist
2. Company may achieve experience curve economies.	2. Foreign agent fail to do business to the exporter's best interest
3. Company has limited international expansion objectives	3. Tariff barriers are high
4. Company is struggling a surplus of production	4. Transport costs are high

There are two types of exporting (Perreault, Cannon, Mccarthy, 2010):

1. **Indirect exporting**:
   - exporter does not looking for export sales;
   - it allows producer to focus on domestic market and leave exporting to experts.
2. **Direct exporting**:
   - exporter directly involved in searching for potential markets abroad (distributor, delegation, sales subsidiary);
   - it is the best option for large companies or companies with international experience.

Three major methodologies of indirect exporting (Doole, Lowe, 2008):

1. Domestic purchasing: foreign organisation is purchasing product from some company; it's responsible for exporting, marketing, distribution of the product.
2. Export trading companies: a representative who is contacted by buyers overseas for identifying potential sellers in the representative's home country, and for negotiating prices.

3. Export management company: those are specialist companies which act as the export department for a number of companies overseas. They are in charge of information and contacts provide.
4. Piggy-Backing: the company can reach the needed credibility and awareness as well as some experience for account of more experience established company who is already operating on the market. The carrier is either performs the role of an agent and receives commissions, or buys the product and act as a distributor.

Turnkey projects (or management contracts) involve a second party (contractor) that have a thorough knowledge about the country and the market, and that agrees to manage every detail of the project for a foreign client, including the training of operations staff (Hollensen, 2011).

Table 2: Reasons for and against turnkey projects (Hollensen, 2011)

Turnkey projects are attractive	Turnkey projects are not attractive
1. It allows company to earn a great economic return from	1. The company's technology is its main competitive advantage
2. Political and economic risks are lower	2. Risk of becoming dependant on contractor because of expanding foreign sales which must be met.

Franchising is a contractual agreement by which the company is selling the rights for intangible property to a foreign firm (franchisee), which is obliged to strictly follow the rules on how it should do business (Doole, Lowe, 2008).

Table 3: Reasons for and against franchising (Doole, Lowe, 2008)

Franchising is attractive	Franchising is not attractive
1. It allows company to avoid risks, costs, and barriers of penetrating a foreign market.	1. It restraints the company's ability to invest its money to support franchise abroad.
2. The franchiser support company with assistance, training, and help with components.	The geographic distance can make it difficult for a franchisor to keep control over the business of franchisee.

1.2.2 Foreign manufacturing strategies without direct investment

Such strategies involve higher risks and costs of moving company's business abroad, and is available in the form of:

1. Contract manufacturer.
2. Licensing agreement.

Contract manufacturer is the arranged by the company a local manufacturer in the foreign market to produce products for it under the contract. Among the advantages of contract manufacturer are (Doole, Lowe, 2008):

1. It allows the firm to be focused on its sales and marketing with minimum investments.
2. It helps to overcome trade barriers
3. In case the business abroad didn't succeed, the firm can make withdrawal relatively easy and less costly.

The only disadvantage of this method is a lack of control over the manufacturing activities, but according to Burca, Fletcher and Brown (2004), this problem can be solved with constant quality control from the company.

Licensing means transferring risk, control, and advantage of resource commitment to another entity (generally, a foreign firm) by granting rights for such intangible property as patents, copyrights, trademarks, inventions, etc. through a contractual arrangement, in exchange for some type of royalty or economic compensation (Johanson, 2008).

Table 4: Reasons for and against licensing (Johanson, 2008)

Licensing is attractive	Licensing is not attractive
1. If company can leave the development costs and risks related to opening a foreign market to a contractor.	1. The firm is lacking tight control over production process, marketing and overall strategy of the product.
2. A company doesn't have to cope with investment barriers	2. There is a potential risk of loss of intangible property.
3. A company doesn't want to develop existing application of business abroad itself, but can receive a return on market opportunities.	3. The firm isn't able to manage strategic moves across countries, and deal with competition in another country using profit made on domestic market.

1.2.3 Foreign manufacturing strategy with direct investment

This is a way of market penetration which involves different levels of risks and costs, and cooperation with other organizations. This includes (Doole, Lowe, 2008):

1. Assembly operations.
2. Wholly-owned subsidiary.
3. Acquisition.
4. Joint venture.
5. Strategic alliances.

Assembly is a foreign-based structure that assembles components which have been produced in the home-market. It has following advantages (Bennet, Blythe, 2002):

1. Decrease the trade barriers;
2. Economy of scale.
3. Assembly level requires lower level engineering skills and management.

Wholly owned subsidiary is a complete ownership of the newly established subsidiary by foreign company. Wholly owned subsidiary can be established in two ways (Jeannet, Hennessey, 2004):

1. by setting up a new operation in the foreign country
2. by acquiring an existent firm

Table 5: Reasons for and against wholly owned subsidiary (Jeannet, Hennessey, 2004)

Wholly owned subsidiary is attractive	Wholly owned subsidiary is not attractive
1. It allows a better control of sales and close contact with customers	1. The company is taking all risks and costs of overseas business by itself
2. Tight control over production across countries that is important for development of global strategy	2. Considered to be costly for markets that are far from home country.

Merge and acquisition is the fastest way to enter the market by acquiring an existing firm abroad. Among other advantages are (Doole, Lowe, 2008):

- access to already experienced and trained labour-force;
- existing contracts with suppliers and customers;
- established distribution channel;
- recognized brand.

On the other hand, the acquired company may have a bad reputation in the market, demotivated labour force, and out of date processes and technology (Doole, Lowe, 2008).

Joint venture is the co-investment and establishment of a separate company that is owned by two or more companies independently at the same time (Burca, Fletcher, Brown, 2004).

Table 6: Reasons for and against joint venture (Burca, Fletcher, Brown, 2004)

Joint venture is attractive	Joint venture is not attractive
1. The company can take an advantage of its local partner knowledge about the country, competitive conditions of the market, etc.	1. Co-ownership may lead to conflicts based on different views, goals and objectives.
2. The costs and risk are shared	2. Absence of tight control over subsidiary

3. It can help company to avoid different government interference and barriers	3. Risk of giving control over technology or another intangible property to the partner

Strategic alliances are contractual agreements which are supposed to be beneficial for both parties, but different from joint ventures or licensing. The alliance can be arranged on the basis of: technology, R&D, marketing or distribution relations, cross-licensing, and manufacturer with supplier relationships. The success of strategic alliance depends on careful research, advanced planning, monitoring and proper management (Perreault, Cannon, Mccarthy, 2010). Usunier and Lee (2013) emphasise the significant role of culture aspect of cross-countries alliances in terms of trust and quality information exchange.

Moreover, it is important to draw attention that a choice of entry mode involves choice of location and level of control. Rialps (2001) defined control as the ability to affect the systems, decisions, and methods. Control also determines the risks and returns on assets for companies going international. Different strategic options of entry modes and corresponding level of control is shown on the Figure 1.

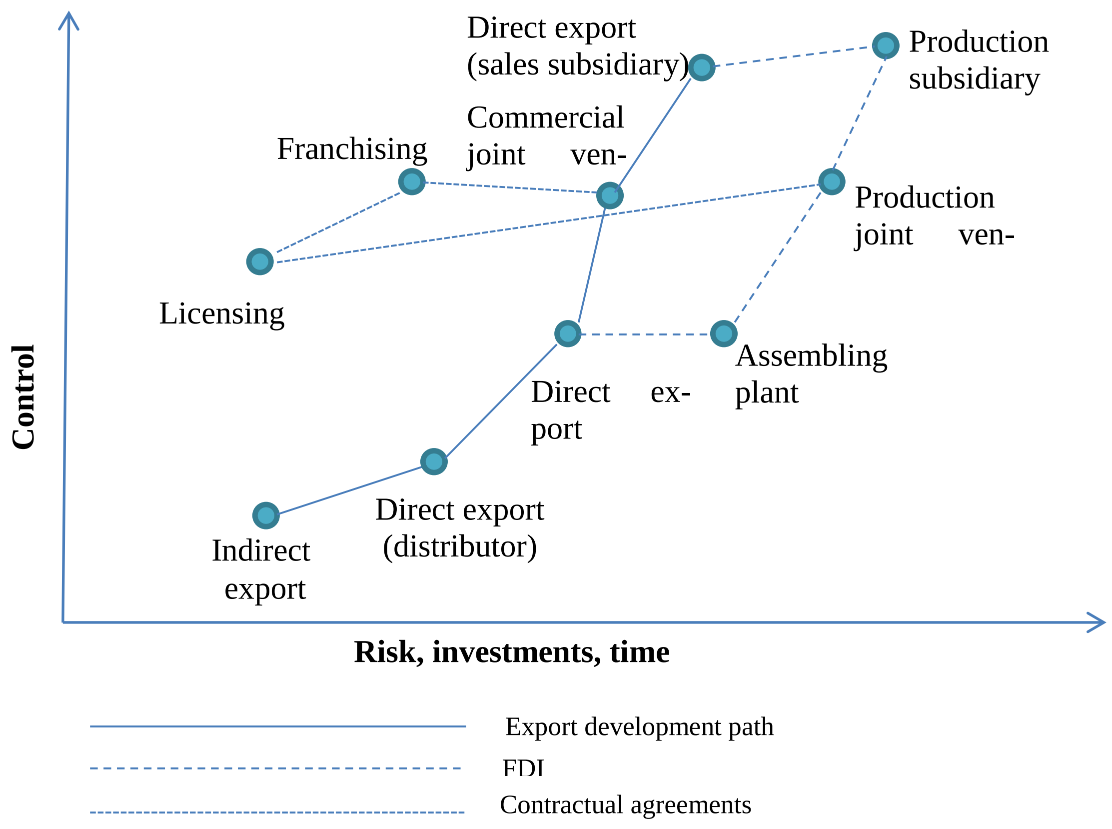

Figure 1: Foreign market entry modes (Rialp A., Rialp J., 2001)

2 INTERNATIONAL MARKETING MIX

2.1 International product policy

The decision about the product is one of the first decisions to take in order to develop international marketing mix. Hollensen (2011) pointing out the importance of defining what contributes to the product offer in order to create an acceptable one. Kotler (2012) proposed five levels of the product offer that should be examined by companies in order to make their product/service attractive overseas. Three of those levels are (Hollensen, 2011):

1. Core product:
   - functional features;
   - performance;
   - perceived value;
   - image;
   - technology.
2. Product attributes:
   - brand name;
   - quality;
   - size and colour variations;
   - country-of-origin image;
   - price;
   - personnel behaviour.
3. Support services:
   - delivery and installation
   - guarantee
   - after-sale service (repair, maintenance);
   - spare details

Moreover, the possibility of standardizing the product is decreasing with each higher level. Therefore, it is much easier to standardize the core product features.

2.1.1 Standardization versus customization

Standardized or differentiated approach of doing international business is significant confrontation in the marketing literature of a long duration. Many authors are arguing for standardized behaviour of the international companies and a creation of single strategy, pointing out that it strengthen global corporate image and minimize costs. They believe that markets are becoming increasingly homogeneous, and so-called global customer has unified demands. Others claim that there are no same markets that make it necessary to adapt marketing mix in order to satisfy customer’s needs and wants everywhere (Lee, Carter, 2012).

Vrontis and Thrassou (2007) outline that successful companies are moving from customized products and services to global ones that are functional, advanced, and low-priced. He also argues that the most competitive companies rather develop items that everyone likes then concentrate on some details which customers of each market might like.

However, supporters of adaptation approach are opposed the above mentioned arguments, outlining its controversial character. They argue that globalization is more overstatement, and standardized marketing approach is leading to fall. Besides much evidence of cultural and other differences, a single product everywhere will scare away customers, estrange employees, and company will fail to meet the real needs of its customers (Vrontis, Thrassou, 2007).

The adaptation theory supporters are considering marketing as a subject to many factors such as culture, language, climate, tastes, occupation, education, and race. It is clear that people from different countries speak different language, influenced by different religions; regulations vary from country to country. In addition, there are other macro-factors like economic conditions, political stability, social situation, legal system. The most important constraint from all of those is the hardest to estimate, is a culture which comprises values and attitudes, behaviour patterns, views and beliefs, manners and customs, as well as differences in tastes. Supporters of this theory should pay attention to adjustment of their marketing mix in order to suit special market needs and local tastes (Usunier, Lee, 2013).

Despite the fact that both schools highlight benefits that international companies can gain by adapting one or another approach, it is necessary to admit that extreme utilization of only one theory is impractical. The best practice for multinational companies in the employment of both of these polarized processes to some extent. It is impossible to do business in totally standardized way because of heterogeneity of different countries. On the other hand, adaptation approach involves huge costs and it doesn’t allow getting benefits from standardization method. The author underlines the value and inevitability of both customization and standardization, supporting the idea that both concepts should be incorporated simultaneously (Usunier, Lee, 2013).

The reasons which are driving international companies towards adaptation of their marketing mix were identified in the research conducted by Vrontis and Thrassou. Those factors are placed according the percentage of importance in the Table 7.

Table 7: Reasons for adaptation according to the level of importance (Vrontis, Thrassou, 2007)

No.	Reasons in order of importance	Percentage, %
1	Culture	93
2	Market development	87
3	Competition	84
4	Laws	82
5	Economic difference	78
6	Sociological considerations	74
7	Differences in customer perceptions	71
8	Technological considerations	60
9	Political environment	53
10	Level of customer similarity	49
11	Marketing infrastructure	44
12	Differences in physical conditions	39

As shown in the Table 7, the top reasons in favour of adaptation are culture, market development, and competition. Though macroeconomic factors such as legal, economic, political, social, technological, and others are of less importance.

At the same time, there are number of reasons that force companies to standardize their marketing strategies (Table 8). Many multinational companies are aware of the advantages associated with standardization. Eventually, when companies expand their business abroad they are likely to standardize the marketing tactics.

Table 8: Reasons for standardization by the level of importance (Vrontis, Thrassou, 2007)

No.	Reasons in order of importance	Percentage, %
1	Global uniformity and image	81
2	Economies of scale in production, R&D and promotion	75
3	Synergetic and transferable experience and efficiency	74
4	Consistency with the mobile consumer	52
5	Easier planning and control	48
6	Stock costs reduction	43

As research revealed (Vrontis, Thrassou, 2007), the most important factors of standardization are global uniformity and image, economies of scale, and synergetic effect. Consistency with consumer, simplified planning and control, and lower stock costs are of less importance.

Ultimately, this study identified nine factors that have a strong influence on company's international behaviour and marketing strategies they choose in relation to adaptation and standardization. Those are the following (Vrontis, Thrassou, 2007):

1. Product (good or services) sold.
2. Customer of the company.
3. Industrial sector that the company is operating in.
4. Entry modes.
5. Relationship of parent company with its subsidiary.
6. Total amount of turnover of the company world-wide.
7. Number of continents where company has business.
8. Level of authority delegated to the subsidiary by parent company.
9. Number of employees of the company world-wide.

The results of the findings are summed up and presented In the Appendix 2 and Appendix 3. They illustrate the reasons why international companies incorporate standardization or adaptation approaches and what benefits they receive.

Clearly, therefore, the choice of the approach also depends on the market: high-technology markets, especially in such product categories as electronics, are highly standardized, as well as clothing and music, while food and beverages, on contrary, in general are strongly culture-bound and should be customized. The assumption that consumers around the world are tending to sacrifice preferences of product's features for lower price and high quality is under the big question. Although a lot of price-sensitive markets exist, the adaptation remains a powerful marketing tactic. Another reason for differentiation in international markets is derived from brand loyalty. However, branding is not taken into consideration in a price-sensitive market (Bradley, 2005).

Ultimately, standardization strategy may not succeed in every single case. It should be flexible to accept modification by local management. Such constraint as culture shouldn't be ignored as it challenges the benefit the company may get. This fact might convince the firm to estimate the relationship between their product/service and culture (Figure 2). For

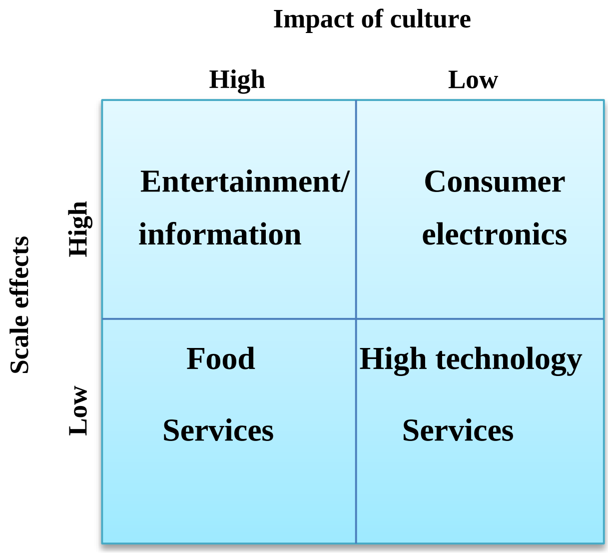

Figure 2: Impact of culture and scale on standardization (Bradley, 2005)

instance, in such business as entertainment, culture and scale effects are considerable, while in some medical and engineering services both influences are low. The impact of culture is insignificant in consumer electronics and personal computers, but the scale effect is high. Therefore, the marketing strategy for each industry and market should be planned accordingly as each requires specification of customer demands in different countries and cultures (Bradley, 2005).

2.1.2 Product positioning

Hollensen (2011) emphasises that a product positioning is a crucial element in the marketing activity of multinational company. According to the author, a firm can set premium price only in the case when customer has a perception that the offered product or service is clearly different from the competitive one. To do this, it is essential to determine the basis of the positioning strategy that may aim on one or several attributes of the product offer (Doole, Lowe, 2008), such as price and quality, a particular application, differentiation in product or service attributes, comparison with a competitor, target consumer.

Sensitive to the media influence and through the travelling market segments are showing the tendency to increasing demand for standardized products. At the same time, there is emerging demand for the same products among the population of developing countries. Therefore, a unique positioning of product or service should be achieved rather through more complicated and creative approach than through simple price positioning (Doole, Lowe, 2008).

Roger Bennett and Jim Blythe (2002) suggest that position depends on several factors like nature of the product, lifestyle of consumers, and products of competitors. The Figure 3 depicts the market position of six competing firms of a certain type of products according to reliability and price. Each firm's market share is indicated by the size of the circle. Company A is a market leader which means their product is expensive but reliable. Companies B and C are following the leader, and occupy certain niche charging high prices and promising high reliability. E is average player, and F offers cheap but unreliable products.

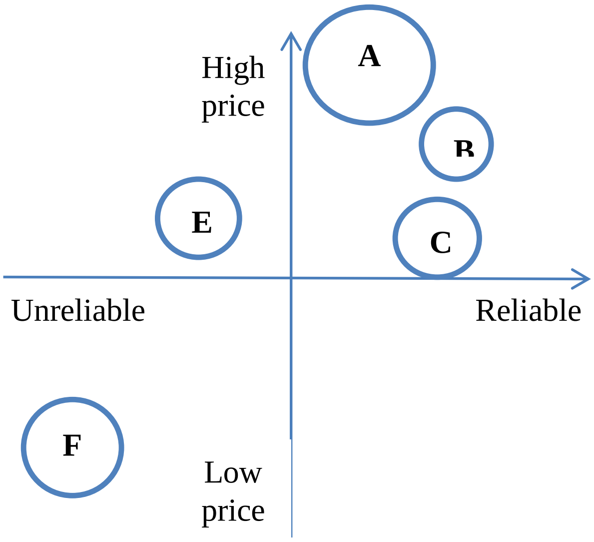

Figure 3: A perceptual map (Roger Bennett, Jim Blythe, 2002)

Perceptual map can show the gaps in the market. The variables should be chosen correctly because the position of product can be shifted in customer's minds by changing such variables as packaging, warranty, after-sale service, user-friendly features, and general attractiveness. In addition, promotional activities such as advertising and public relations are also essential for establishing or changing the perception of the product (Roger Bennett, Jim Blythe, 2002).

According to Roger Bennett and Jim Blythe (2002), if company wants to establish business abroad, it should decide whether to position the products in the same way everywhere or not. If it decides to modify the position in the foreign market, the next step is to conduct the research among the consumers overseas, or utilize the data from the home market. The factors which influence these decisions are:

1. The possibility of standardization of the product across countries.
2. If the good satisfy the same customer needs in each market.
3. Competitive advantage of the brand.
4. To which degree the name and features must be adapted.
5. The size of the target group which the product might appeal to.

According to Doole and Lowe (2008) the perception of the same product can vary from country to country. For instance, McDonalds and KFC restaurants are targeting mass market in the developed countries as places for everyday eating. While, in the less developed countries those are the places for special occasions, and even out of reach for some segments of population.

2.1.3 The country-of-origin effect

Among other factors of international competitive advantage the country-of-origin is of the considerable impact and big interest. The history of county-of-production image began after the First World War, when defeated Germany was punished by requirement to label all their exported products with a mark "Made in Germany", which later became a sign of high quality. Many researched yet in 1962 named the "made-in" as a fifth element of the marketing mix because of its significant effect on the perception and success of a product above other marketing techniques in a foreign country. In the age of globalization country-of-origin image became important intangible asset for creating and maintaining competitiveness, especially if customers are not familiar with a product. It is proved that this factor is frequently used for quality evaluation. This is applied most of all to such products as computer technologies, cars, cosmetics, household appliances and similar. Consequently, it is not surprising that number of studies proved the influence of country-of-origin image on purchase decision, since this concept explains consumer's buying behaviour in terms of perception of quality of the product according to the country it is coming from. The most commonly used definition of country-of-origin image is "the picture, the reputation, the stereotype that businessmen and consumers attach to products from a certain country" (Johansson, 2000).

Products from developed countries with positive image are perceived as being better and of higher quality as compared to goods from countries with negative image. This fact facilitates entering foreign markets and acquiring consumers' loyalty or, on contrary, creates barriers for internationalization in case of negative country's image. The country-of origin image is classified as so called extrinsic cue, which means it is not physical attribute so it can be altered only with a change of the product's physical characteristics.

According to Cateora and Graham (2007), there are ten main elements that influence on the extent to which "made-in" labels affect buying behaviour. Those are:

- experience;
- knowledge;
- stereotypes;
- ethnocentrism;
- relationship (political and cultural) between exporting and importing countries;
- brand image;
- political, economic, and social factors of country-of-purchase;
- specifics of target segment.

These are principle factors on the stage of consumer's evaluation of good, and they should be considered when design international marketing strategy.

2.1.4 International branding

The question of branding is closely related to the issue of image effect of the product. Brand is the most visible asset of the multinational company which helps company to stand out and to be differentiated from its competitors. Brands for customer are means of identification of the product and promise of certain quality, performance or image. Another important function of the brand value adding by providing following benefits (Doole, Lowe, 2008):

- Higher sales: branded products are likely to generate higher volumes of sales that non-branded products if they have an average market price.
- Premium pricing: brand allows company to charge higher prices for products with the same quality and features as non-branded products with lower prices.
- Lower costs: higher sales volumes bring reduction of costs as a result of economies of scale.
- Improved use of assets: due to higher sales volumes, such assets as equipment, distributors channels, and supply chain are expected to be utilized by managers more effective.

Svend Hollensen (2008) suggests four levels of branding decisions which are presented on the Figure 4.

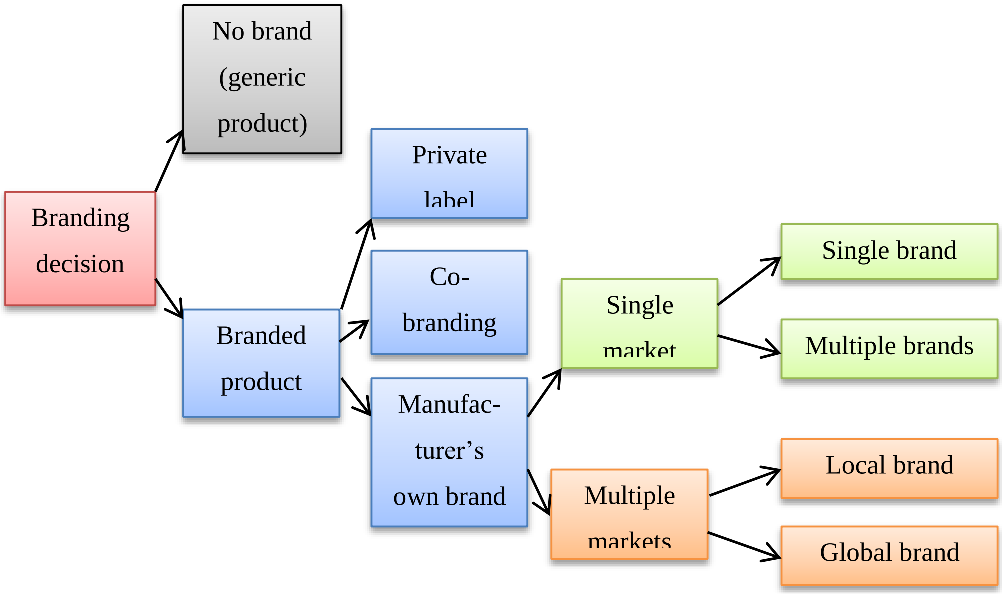

Figure 4: Branding decisions (Hollensen, 2008)

Bennett and Blythe (2002) highlight that neglecting the brand means waste of money for advertisement because a firm promotes the generic product and consequently the product of the competitors. Therefore a firm needs to specify the unique features of its product and link them with catching and easily recognizable brand image. Moreover, brand can significantly decrease the selling costs because firs of all, it no longer advertises the class of product generally, but the firm's own product, and secondly, distributors are more willing to deal with branded products on account of already existing demand (Bennett and Blythe, 2002).

According to Doole and Lowe (2008), it is proved that brand image is the most important criteria of buying decision among young groups of population, mainly children and teenagers, as they are more susceptible to the influence of new trends and fashion dictated by companies. Consequently, the brands also have impact on the parents as the result of 'pester power' effect.

Hollensen (2011) underlines the advantages of private label for retailers and manufacturers. From the retailer's perspective:

1. Private brands provide higher profit margins. The good itself costs around 75-80 % from retailer's price. So if retailers are buying good from manufacturer for lower price, it provides them with better margins. Private labels are especially popular in the United Kingdom (e.g. Marks&Spenser). For example, food retailers in the UK achieve up to

8% profit, which is a big number compare to international standards. The average figure in USA and in France is 1-2%.

2. Private labels improve the image of retailers. That is why many retailers try to achieve loyalty of customer to their chain of shops by providing own good-quality products. In fact, there is a tendency in growth of market share of premium private-labelled products.

From the manufacturer's perspective private labels are seen as threat, however there are some advantages:

1. Since there are no promotional expenses, this option is especially suitable for SME with limited resources.
2. The private brand producers can expand their business abroad together with the retailer international chain.

The minuses of the private brand for manufacturer are following:

1. Because of the absence of own brand, the only way for the manufacturer to compete with other suppliers of the retailer is to offer lower price.
2. The producer has no control over the promotion activity of its products.
3. The threat of cannibalism of the producer's own brand by private brands, in case the manufacturer has both.

Co- branding is cooperation between two or several brands, keeping both, in order to create the greater value as the result of synergy effect (Hollensen, 2008). Though, the value potential is not great enough to consider the establishing of joint venture or new brand. Co-branding products are usually complementary, for example, Bacardi Rum and Coca-Cola. In fact, co-branding can be an alternative strategy to brand extension.

Manufacturer's own brand is helping companies since 1960s to go around the retailers right to the consumers (Hollensen, 2011). Due to intensive promotional activities band created consumer loyalty to the companies and their products. However creation of the global brand is very complicated process. According to Doole and Lowe (2008), the company has to take number of decision concerning the establishing the image across the countries, appropriate positioning and so on. The biggest danger for manufacturer's brands is coming from the retailers and private labels. Nowadays retailer companies became bigger and more efficient due to information technologies and advances in transport. This allows retailers to take a control over the distribution channels. Moreover, the gap between the quality of private labelled products and manufacturer's brand became distinctly smaller compare to 10 years ago (Hollensen, 2008).

Single brand is also known as family brand means one label for the whole range of products. It is especially helpful when company has the range of relatively similar goods so that each newly launched product is automatically perceived of the same quality as the rest. If company chooses **multiple names** for the single market, it assumes that market is heterogeneous and it segmented for different needs (Hollensen, 2008). However, multiple branding means higher marketing and inventory costs, as well as loss of economy of scale (Burca, Fletcher, Brown, 2004).

The firm can go to multiple markets either with local or global brand. The global-brand approach is suitable when the products under the brands have a good image and are known for high quality. In such cases, it is wise to extend the name to other products worldwide (Hollensen, 2011). The examples of famous and successful global brands are Coca-Cola, Master Card, Shell, etc.

The approach of modifying the brand name for each market is appropriate when the marketing strategy is identification with the local market (Burca, Fletcher, Brown, 2004). Hollensen (2011) also emphasizes that multinational corporations sometimes prefer to acquire local brand instead of applying global brand technique (e.g. Nestle-Orion in Czech Republic). The pluses and minuses of the different branding strategies are described in the Appendix IV.

2.1.5 Product strategy

Lee and Carter (2012) pointed out several factors which are the basis for making decision on an international product strategy. These factors are following:

- the firms general market mission and objectives;
- availability of resources to commit for international development;
- the product itself;
- market and customer expectations;
- international environment factors;
- marketing mix support;
- control and risk.

There are five main international strategy that are result of combination of standardization and adaptation (Barlett, Quelch, 2006) described in the Table 9.

Table 9: International strategies (Lee, Carter, 2012)

Strategy	Basis
Single product, single message globally (straight extension)	Global reliability
Product extension, promotion adaptation	Local customers
Product adaptation, promotion extension	Local market differences
Dual adaptation	Total differentiation
Product invention	New for the market, tailore

Straight extension strategy involves introduction of the same product and standardized promotion in the each market (Hollensen, 2008). Coca-Cola was one of the first companies that employed the global approach (one product, one message worldwide) that allowed them to benefit from cost savings and reinforcement of the same advertisement (Doole, Lowe, 2008). This is the simplest and the most profitable international strategy under the right conditions (Keegan, Green, 2008). However, according to Keegan and Green (2008), to make it effective, the message should be understood across the countries, but sometimes it's complicated to implement. As a rule, the standardized approach more often implied to business-to-business products, because industrial products are not that linked to the culture as consumer goods.

The straight extension approach appeal to the multinational companies mainly under the reason of enormous cost saving. Obviously, the sources of savings are design, economy of scale, R&D costs, inventory savings, etc. In addition, the significant amount of financial resources global companies have to spend for promotional activities in each country which is also avoided with this approach (Keegan, Green, 2008).

Product extension/promotion adaptation strategy involves leaving unchanged product with updated promotional activity according to cultural differences in each market or different target segment. It is relatively cost-effective since making variations in advertising is not as expensive as changes in product which involves expenditures for inventory, manufacturing, and R&D (Hollensen, 2008). The biggest costs are associated with marketing research, revising advertisements, pont-of-sale material, sales promotion efforts, and other communication elements (Keegan, Green, 2008).

Product adaptation/promotion extension approach is used if promotional campaign has international appeal, but the product requires adaptation according to local use and conditions (Doole, Lowe, 2008). While the core product function is retained, the modifications are made to meet the local regulations, legal requirements, physical environmental conditions, etc. For instance, electrical appliances have to be altered in connection with different electrical voltages across countries (Hollensen, 2011).

Dual adaptation strategy means adopting a totally differentiated approach which employed by non-market-leaders companies when one of the previous three methods has failed. This is an expensive but sometimes necessary way (Hollensen, 2011). Most of the multinational companies apply dual adaptation strategy, but utilization of several strategies simultaneously in different markets is also possible (Keegan, Green, 2008).

Product invention strategy is suitable for emerging markets where there is a need but no purchasing power to buy existing product. In this situation the firm needs to develop a new product that would satisfy the needs and be affordable for potential customers with limited purchasing power. Sometimes manufacturers from developing or undeveloped countries have to upgrade significantly their product to go on global high-income markets (Keegan, Green, 2008).

2.2 International pricing

Doole and Lowe (2008) identified many factors that firm should take into consideration when expanding its business to international market. There are three categories of factors affecting price according to Doole and Lowe (2008), and Bennett and Blythe (2002):

1. Company and product factors:
    - costs of production;
    - positioning of the product;
    - company's objectives;
    - life cycle, product range, unique features of the product, substitutes;
    - inventory;
    - available resources;
    - shipping costs.
2. Market factors:
    - consumer's perception of the product's image;
    - purchasing power of the target segment;
    - competitive position in the market (strategies, strength);
    - market growth;
    - need for marketing mix adaptation;
    - market structure and distribution channels;
    - price elasticity.
3. Environmental factors:
    - government interfere and policies;

- currency fluctuations;
- local inflation rate;
- business cycle stage;
- employment of non-money payment and leasing;
- supply costs.

According to the Bennett and Blythe (2002) there are four common international pricing strategies that multinational companies apply when entering new market: cost-based pricing, skimming pricing, market pricing, and penetration pricing.

2.2.1 Cost-based pricing

This is one of the most widespread pricing strategies because cost of production is a major factor affecting the price. The firm must at least break even to survive. In order to establish a unit price, the company has to determine the period of production run, add up fixed and variable costs, and divide assessed total cost by planned output. In the end, it is necessary to add some percentage mark-up to get a unit price. The disadvantages of this approach (Bennett, Blythe, 2002):

- if a company has a wide range of products, it is complicated to calculate overheads properly;
- the unit production costs of the products that are not soled immediately but stored, might be altered;
- ignoring consumer perception, their willingness to pay more, and indication of the quality by the price.

Moreover, in the process of international pricing, it is difficult to estimate all the extra-costs related to international trade, for example, cargo and payments insurance, freight forwarders’ fees, custom duties, documentation costs and others.

2.2.2 Skimming pricing strategy

This means charging a high price in order to receive the greatest possible return in a short period of time. This strategy can be applied if the product is unique and that there is such group of customers who are ready to pay high price. Moreover, the firm should be certain that the reaction of competitors on reduction of their prices will be slow enough (Burca, Fletcher, Brown, 2004).

Disadvantages of skimming pricing (Hollensen, 2008):

1. The company might be vulnerable to intense competition because of the small market share.
2. The threat of grey marketing.
3. It is difficult to maintain distinct presence in the distant markets with high-quality product which requires a lot of resources.

2.2.3 Market pricing strategy

This strategy involves charging the price relatively the prices of the same competitive product which already exist on the market. Both production and marketing costs should be adjusted. It assumes that the company has a thorough knowledge of the competitive environment in the international market. In addition, the life cycle of the product must be of sufficient duration to guarantee the entry of the company into the target market abroad. Market pricing can lead to a problem, when the volume of sale is not high enough to receive the expected return (Burca, Fletcher, Brown, 2004).

From the competitive price it is possible to make a “reversed” price evaluation and calculate the necessary net price. If the net price can create a desirable profit margin then the firm can adopt this pricing strategy (Hollensen, 2011).

2.2.4 Penetration pricing strategy

The strategy is used on the first stages of market entry to quickly acquire the market share due to low prices. This method requires price-sensitive consumers, mass market, and reduction of costs through experience curve and economy of scale effects (Burca, Fletcher, Brown, 2004). The main risk related to penetration pricing is that competitors might also decrease their prices or cheap products will not appeal to consumers. The reasons for low pricing are following (Hollensen, 2011):

- Increasing competition in the target market;
- Low income level of foreign market consumers;
- If company’s expenditures are mainly covered by sales in the domestic market, then it can offer lower prices overseas to bring as much additional revenue as possible.

2.3 International promotion

2.3.1 Integrated marketing communication strategy

Lee & Carter (2012) pinpoint that the international marketing communication is becoming more complex because of accelerating of change in technologies, emerging of 'global' consumer, intensive competition, fragmentation of media, etc. Consumers are no longer that susceptible to marketing messages, on contrary, they became more sophisticated and aware of markets which made them resistant to direct approaches. Furthermore, the topic of integrated marketing communication (IMC) is becoming more and more discussed in contemporary marketing literature (Lee, Carter, 2012). Grein and Gould (1996) suggest the definition of IMC from the international point of view:

"System of active promotional management which strategically coordinates global communications in its entire component parts both horizontally in terms of countries and organizations and vertically in terms of promotional discipline. It contingently takes into account the full range of standardized versus adaptive market options, synergies, variations among target populations and other marketplace and business conditions."

This would involve strategic decision made through tracking, comparison, and coordination of promotional activities across all the relevant markets. The advantages of incorporating international IMC are following (Lee, Carter, 2012):

- coordination of marketing activities across countries;
- standardization of communication;
- establishing a consistent brand;
- gaining knowledge and experience from other countries.

Despite this, the possibility of standardization of marketing communication is quite doubtful. Burca, Fletcher and Brown (2004) propose the next factors which might create obstacles for communication standardization:

- Language differences: diversity of languages creates a challenge since not everything can be translated word-by-word and have the same meaning everywhere.
- Marketing acceptability: the level of countries development have an impact on acceptability of marketing activities.
- Media availability: the types of media, as well as its volume, vary from country to country. Sometimes certain media channels might not be allowed to be used for commercial advertisement.

- Intermediary availability: advertising agencies, market research institutions, and media buying groups are not equally available and effective in every country.
- Competition: competitor's activities directly influence the intensity of promotion.
- Government control: government might conduct regulatory activities toward international promotion to support domestic producers or protect their citizens and culture.

2.3.2 Communication strategies

The generic marketing communication strategies are divided into two main groups: push and pull strategies. The push strategy means forcing the promotion of the product from manufacturing to retailer and wholesaler down by distribution channel to the customer using such methods as personal selling, discounts, and special offers. The pull strategy works in the opposite direction: the company communicates with target segment to identify the needs, and then attract final consumers to retailer or distributor to make a purchase (Doole, Lowe, 2008).

There are number of marketing tools for the external market which help to implement the marketing communication strategy of the firm. Those assigned to communicate product differentiation: exhibitions and fair trades, personal selling, advertising agencies, sales promotion, and direct marketing. And those which aiming to communicate with more stakeholders: public relations, sponsorship, and corporate identity.

Personal selling and word of mouth is often the first way for companies to promote their products. Though it is very expensive, it is effective method to receive the first orders from the new market, and gain the trust of distributors. However, the utilization of personal selling is limited to the situation when sales are high enough to cover the additional costs.

Exhibitions and trade fairs are common approaches to meet the potential customers or partners from other countries. Exhibition at international fair trade involves costs for space, stand, travelling, and expenses for sales staff time which are very high. The advantage of such method is that customer is receiving personal and interactive experience with a product.

Trade missions are often associated with exporting activities of foreign companies. Trade missions are organized by the top management of companies for prearranged discussions with potential customers in the host country.

Advertising is the most visible form of communication often used to support other promotional activities of the company, and to raise the awareness about the firm or its product.

The availability of mass media such as television, radio, cinema, outdoor advertising always vary in different countries so it is essential to make a prior research on advertising media. Nowadays the online advertising is employed more frequently because of one-way communication disadvantage of offline commercials. According to Kotler (2006) marketing management should go through four important stages when developing advertising program: setting objectives, setting the budget, developing the advertising strategy, and evaluating advertising campaigns.

Television advertising allows a greater capacity and large audience, but great competition and high costs at the same time at the same time. In fact, television provide with opportunity to reinforce the company's advertisement with product placement in programmes or films, and sponsorship of different events.

Press advertising is still available, but less effective since the number of readers decreased with the Internet development. In addition, the company should make sure about literacy rate in the country of target market.

The reason for *the usage of agencies* is explained by financial consideration, specialist knowledge of the market, creativity, and external perspective.

Sales promotion is usually applied at the most crucial moment of purchase decision. Its objective is to offer the better value for a client. This approach is especially effective on the markets where there is no distinctive difference between companies and their product, except of special sales offer. Sales promotion of consumer goods can include price reductions, coupons for discounts of vouchers for savings.

Direct marketing has changed from only telephone and e-mail marketing to more 'pro-Internet' marketing. The essential element of today's direct marketing is up-to-date database which is merged with the company's promotional message.

In order to build customer's loyalty the company has to develop a better image that include offering high quality and value, being a reliable supplier, show care and respect to local community and environment. To reach these objectives, company must establish the good relations with all of its stakeholders through corporate identity, sponsorship, public relation.

Corporate identity is about constant promotion of company's standards and values in the dealing with the stakeholders by demonstrating it throughout all company's activities.

Sponsorship has become a tool to attract the attention and gain the trust to the brand through its connection with other brands or events. By sponsoring events, such as music festivals or sport championships, company is linking is not only raising the awareness of its brand, but also creating associations in the mind of potential customers as a facilitator of fun (Lee, Carter, 2012).

Public Relation is different from advertisement since its main role is to build trustful relations with key publics. The employees are considered as internal publics, and external publics include customers, suppliers, distributors, media, government (lobbying for legislation), financial community, and stockholders. The main functions of PR are following (Usunier, Lee, 2013):

1. Enhance a favourable corporate image in the peaceful time.
2. To deal with criticism, maintain goodwill, and anticipating the information that may harm the reputation of the firm during the crisis situations.

2.4 International distribution channels

Kotler and Armstrong (2006) highlight that company's success largely depends on well entire distribution channel performs and competes with competitor's channels. According to Hollensen (2008), distribution channels normally account for 15-40 % of the product's retail price. The figure in the Appendix I illustrates a comprehensive approach to the crucial decisions in international distribution.

Doole and Lowe (2008) emphasize the complexity of international distribution strategy and highlight next major areas for management to consider:

- Selection of foreign market intermediaries.
- Building the relationships with selected intermediaries.
- Dealing with different types of retailers in the foreign country.
- Employment of new and innovative form of distribution.
- Managing the logistics.

One of the first decisions in selecting the distributor is whether it should be direct (integrated channel) or indirect distributor. The advantage of direct distributor is more control over the channel and connection with final consumer. On the other hand, indirect distributor help to decrease exporting expenditures, overcome freight rate, and eventually obtain higher profit margins (Hollensen, 2008).

Available options of direct foreign intermediaries: (Doole, Lowe, 2008):

- *Cooperative organization*: in charge of exporting activities and partly of administration.

- *Export distributors*: responsible for order processing, promotion, inventory stock, shipping, after-sale service.
- *Export agents*: perform such functions as promotion, buyer or seller representative.

Company may have its own sales forces in form of (Doole, Lowe, 2008):

- *Export department in domestic market*: carry on all activities related to export.
- *Travelling sales representative*: contact and conduct negotiations with potential customers abroad.
- *Subsidiary in the foreign market*: allows greater presence in the market, handles sales and distribution activities, promotion, and warehousing.

In order to select an appropriate intermediary, the organization should consider following factors, suggested by Czinkota and Ronkainen (2006):

- Customer characteristics;
- Culture;
- Competition;
- Company objectives;
- Character of the market;
- Costs;
- Capital required;
- Coverage needed;
- Control issues;
- Continuity provided;
- Communication effectiveness.

Hollensen (2011) pointing out the significance of customers for the distribution channel decision. Geographic dispersion, shopping habits, consumption patterns, outlet preferences vary greatly among countries and that is why should be considered when making distribution decision (Hollensen, 2011). Moreover, the culture and traditions of the countries have a strong impact on the rules of business in general and distribution in particular (Doole, Lowe, 2008).

The distribution policy will also depend on whether company has long-term or short-term objectives in the foreign market (Doole, Lowe, 2008). In addition, the choice of distribution channel should meet company’s objectives for profitability and market share (Burca, Fletcher, Brown, 2004). The competition between the distribution channels that want to serve the same market might affect company’s success in the market. For instance, competitors may have agreement with main wholesaler to create barriers for companies with substitute product to enter the market. Therefore, it is recommended to utilize different from competitors distribution approach and develop a competitive advantage (Hollensen, 2008).

The characteristics of the market including the regular requirements and regulations also determine the choice of the channel. In fact, it is affected by economic health of the country as well because the capital investments vary according to the distribution mode. Another important factor related to the nature of the market is potential of the product. It is obvious that foreign product in the international market is not that well-known and demanded at least at initially (Burca, Fletcher, Brown, 2004).

Costs should be taken into account when deciding on distributor. The greater the involvement of the company in the international market in terms of market entry mode, the greater the costs. There are less costs linked to functions of foreign intermediary, and more expenditures related to the establishing the foreign subsidiary or managing export itself which include costs for setting up distribution channel, maintaining, negotiating, logistics expenses, etc. (Burca, Fletcher, Brown, 2004).

The volume of market coverage provided by the channel is essential. Coverage refers as for geographical dispersion as for number of outlets. There are several available approaches (Hollensen, 2011):

1. Intensive coverage: involves large number of intermediaries in the foreign market.
2. Selective coverage: several intermediaries for the target area.
3. Exclusive coverage: only one intermediary.

Eventually, every company should choose such distribution channel mode that would provide it with enough control and communication with final customer to be effective and build a competitive advantage (Doole, Lowe, 2008).

Furthermore, Hollensen (2008) emphasizes that management of international logistics should be considered carefully within chosen distribution channel mode. The following questions must be raised:

1. Order handling
2. Export documents (transportation, banking, commercial, government)
3. Transportation (water, road, air, rail)
4. Freight forwarders
5. Inventory
6. Warehousing
7. Packaging
8. Third-party logistics.

II. ANALYSIS

3 ANALYSIS OF THE CZECH MARKET

3.1 Confectionary market overview

Confectionary industry is the fourth largest sector in the Czech food and drink industry. Currently the volumes of chocolate sales make up around 50% of total confectionary sales, sugar confectionary is accounted for 35%, and 15% by gum. Czech Republic imports more than 25% of total confectionary market (Czech Republic food and drink report, 2013). According to Czech Republic food and drink report (2013), the most recognisable chocolate candies in Czech market is a Hungarian brand Szaloncukr. The annual consumption of this sweet is approximately 6500 tonnes. There is a tendency of increasing attractiveness of healthy products including confections among the consumers.

The confectionary industry is represented mostly by multinational companies, which dominate the market with the price. The market leader in the Czech confectionary sector is Nestlé Česko. Despite the common trend among other companies including Nestle to move their businesses to such developing countries as China and India, Nestle's subsidiary in Czech Republic is still growing due to the production innivations, and development of its main brands. Among other global comanies that control the biggest share of Czech confectionary market are Mars, Cadbury, and Kraft Foods.

Forecast of confectionary market in Czech Republic to 2017 (Czech Republic food and drink report, 2013)**:**

- Confectionary total annual value sales are expected to increase by 3%;
- The expected growth of confectionary total annual volume sales is 3.3%;
- Chocolate total annual value sales are expected to increase by 3.2%;
- The expected growth of sugar confectionary total annual sales growth is 3.4%.

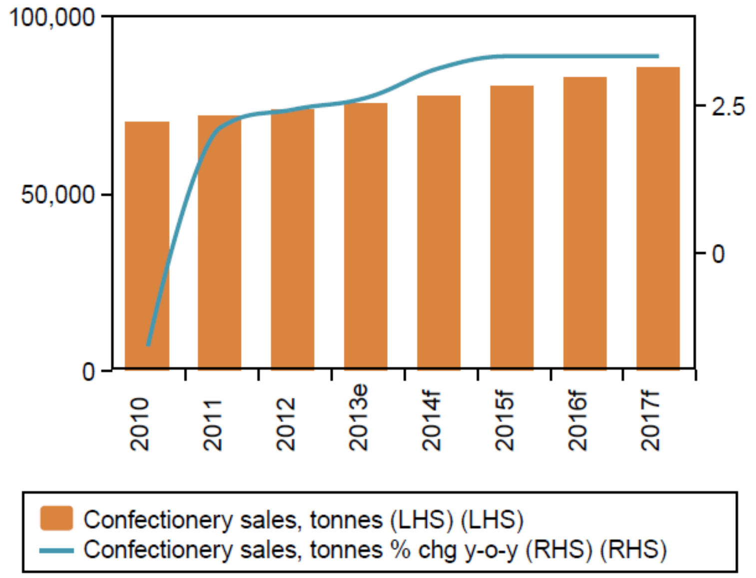

Figure 5: Czech Republic confectionary sales in 2010-2017 (Czech Republic food and drink report, 2013)

According to confectionary consumption forecast, there is a modest growth of confections' sales estimated to 2017 (Figure 5). Also, the increase of demand for more value-added premium confectionary products is expected. Due to large number of strong global companies operating in the industry, this sector is well developed and segmented which spur companies to focus on innovations and intensive marketing activities.

The chocolate sales which take more than 50% of all confectionary sales are the fastest growing sector, and it is forecasted to continue to increase by 13.6% by 2017 (Table 10).

Table 10: Confectionary value/volume sales (Czech Republic food and drink report, 2013)

	2010	2011	2012e	2013f	2014f	2015f	2016f	2017f
Confectionary sales (tonnes)	70,15	71,62	73,31	75,22	77,55	80,11	82.75	85,48
Confectionery sales growth, (tonnes)	-1.63	2.10	2.35	2.61	3.10	3.30	3.30	3.30
Sugar confectionery (CZKmn)	968.3	936.4	861.2	860.5	881.3	907.3	940.8	984.7
Chocolate sales	18,17	18,95	20,42	21,88	22,32	22,92	23,06	27,26

(CZKmn)								
Confectionary sales (CZKmn)	20.75	21,43	22,78	24,19	24,64	25,72	26,06	27,26
Confectionary sales growth, CZK(y-o-y)	8.26	3.29	6.29	6.21	1.85	2.54	3.15	4.59

3.2 Confection consumption in the Czech Republic

According to the Leatherhead food research, the Czech Republic is 18th in the list of top 20 chocolate consuming nations in 2012. The chocolate consumption per capita was accounted for 4.9 kg.

The market research of confectionary and milling in the Czech Republic conducted by Proexport Clolombia revealed that Czech consumers perceive chocolates as a delicacy while candies are bought more often and perceived as snack.

Therefore, the confection consumption has a tendency to increase during holidays such as Easter, St. Nicholas Day and Christmas, and also during autumn and winter. People usually decorate Christmas tree with chocolate toys; while chocolate eggs and chocolate bunnies are common for Easter. In fact, chocolate gifts are traditional in Czech Republic for birthdays, other special occasions or as an expression of gratitude. According to the Barry Callebaut's report "Chocolate consumption and taste preferences around the world" in 2012 the most popular gift in the Czech Republic were plain milk and filled chocolate tablets.

Czech consumers are more likely to buy milk chocolate than black with a large percentage of cocoa or white chocolate. Also the chocolate with different fillings is less popular than chocolate bars with nuts, raisins or candied fruits. The waffled sticks are very common as well. There is no much difference in chocolate consumption by gender, but there is evidence that men buy plain chocolate more often than women who prefer chocolate with fillings. Sweet white chocolate is the most favourite among small children. The largest group of chocolate consumers are teenagers from 15 to 19 years old with consumption is getting lower when age increases. Furthermore, chocolate confections are often bought by young mothers with children.

Concerning the size of products, small chocolate sticks (tyčinky) are the most popular because of lower price and fast consumption. People also prefer classical 100 grams chocolate bars and small boxed candies below 200 grams in luxury-looking packaging. Younger generation easily switch between brands and are likely to try novelty confections.

Moreover, the tendency towards sugar free sweets or those with bigger percentage of cacao was reported in the research. In addition, except of products for diabetics, they forecast the growing interest in sticks with coconut and chocolates with fillings. Regarding the non-chocolate confections, the tendency for higher consumption of "soft" candies (jelly, nougat, etc.) is increasing while consumption of "hard" candies (caramels, lollipop, etc.) is decreasing. There is also a demand for specific sweets for breath, against cough, with vitamins or herbal candies. The premium sweets are demanded on the market.

On average, Czech consumers prefer well-known Czech products; rarely change their preferences regarding the flavours or chocolate type. The brand of the products is not of high importance since customers often buy similar product of another brand in case of lower price or discounts. Supermarkets in Czech Republic satisfy the various needs of customers in confection product and sometimes offer new ones.

3.3 Analysis of the competition

Nestlé Česko is the leading player in the Czech confectionary market, it also produces culinary products and baby foods. Nestle is present on the Czech market since 1992. Nestle and Danone privatized all the companies of confectionary industry and established a joint-stock company Čokoládovny a.s. Today Čokoládovny possesses such factories as Orion, Sfinx and Zora. The total investments of Nestle in the Czech confectionary market are estimated for 5 billion CZK. The market-leading brands of Nestle are Orion, Lentinky, Bon Pari, Modré z Nebe which makes up two-thirds of companies sales (O Nestle, nestle.cz).

The product portfolio of Nestle consists of (Nestle, výrobky a akce, nestle.cz):

1. Candies ("Bonboniéry"):
    - Jojo (26 types of jelly, caramel and marshmallow candies)
    - BonPari (13 types of caramel candies)
    - Lentilky (2 types of candies with fillings)
    - Hašlerky (6 types of mentol candies)

- Lipo (5 types of caramel candies)

2. Cereals:
    - Cini-Mini
    - Fitness
    - Nesquik
3. Chocolate:
    - Orion (10 types)
    - Orion for kids (2 types)
    - Student's (19 types of 200g chocolate of the brand Orion)
    - DELI (5 types of nougat-based chocolate bar)
    - Margot (4 types of chocolate bar)
    - Kit Kat (chocolate bar)
    - Modré z Nebe (6 types of chocolate candies in the gift boxes of the brand Orion)
4. Baby food
5. Food for pets
6. Culinary products Maggi
7. Instant coffee Nescafe
8. Ice cream

Mondelez International Inc. (former Kraft Foods) has opened its first office in Czech Republic in 1992 after acquiring of chocolate manufacturer Figaro in the former Czechoslovakia. Today the company is a leader in a biscuit and chocolate production introducing 450 products under 26 brands. Mondelez also bought shares of Opavia-LU in 2009, Czech and Slovak top manufacturer of biscuits and snacks. Among the Mondelez brands on Czech Market are: *Milka, Fidorka, Siesta, Tatranky, Zlaté, TUC, Kolonáda, Horalky, 3Bit, BeBe, Carte Noire, Diskíto, Dadák, Disko, Figaro, Jacobs, PIM's, Telka, Vnky, Tang, Minonky, Piškoty* (Mondelez International, about us).

After the integration with Cadbury in 2010, Mondelez enriched its portfolio with such famous brands as: *Oreo, Nabisco and LU biscuits; Trident gum; Philadelphia cream cheeses; Jacobs and Maxwell House coffees; Kraft cheeses; Oscar Mayer meats*.

There are 5 fabrics in possession of Kraft Foods in Czech Republic: Dadák, Deli, Opavia, Kolonáda, and Figaro. In total, 70 brands generate approximately $100 million annual revenue (Mondelez International, about us).

Mars as a part of global company Mars Incorporated is represented on the Czech market since 1992 with such categories of products as chocolate, pet-care, food, drinks, symbioscience, and Wringley gum and confections (Mars, who we are).

On the confectionary market Mars is operating under the following brands (Mars, our brands):

- ❖ Chocolate bars: Snickers, Mars, Twix, Milky Way, Milky Way Minute, Bounty
- ❖ Candies: M&Ms, Scittles, Starburst, and Lockets.

For many years Nestle is keeping position of the leading player on the Czech market of confections. Together with all sub-brands, it generates almost 49 % of the market (Marketline, 2013). Mars, Mondelez and Ferrero took 14.9%, 10.2%, and 6.4% respectively (Table 11).

Table 11: Confectionary market shares in the Czech Republic, 2012 (Marketline, 2013)

Company name	Market share, %
Nestle Česko	48.7
Mars, Inc.	14.9
Mondelez International Inc.	10.2
Ferrero	6.4
Other	19.9
Total	100

The producers of packed and boxed chocolate and non-chocolate candies which are a subject of the most interest for the given analysis are Milka (“I love Milka”, “Thank you”, “Tender wishes”, “Singles Mix”, “Crispello”), Orion (“Modré z Nebe”, “Karmen”, “Pralinky”, “Orient”, “Orieškový Sen”, “Nugát”, “Maraska”, “After eight classic” “Deň a Noc”), Bon Pari (Dropsy, Želé, Furé, and other), Sfinx (Beskydky, Slavia, and other), and Figaro (Tatiana, Doxy, Turecký med, Snehulky, and others).

In order to summarize the competition on the market among producers of packed and boxed candies, such characteristics of the brands as price, quality, product range, and market share are compared in the Table 12. Price is calculated per 100 grams; quality is determined according to the scale from 1 to 10 where 10 is the best quality; product range shows the number of available types of candies; market share is specified in percentage.

Table 12: Benchmarking (own source)

	Bon Pari	Milka	Orion	Sfinx	Figaro
Price per 100 g, CZK	20	55	50	15	22
Quality	8	9	9	7	7
Product range	9	5	14	7	11
Market share, %	1,7	2,5	2	0,9	0,6

The results of the table are depicted by the Figure 6.

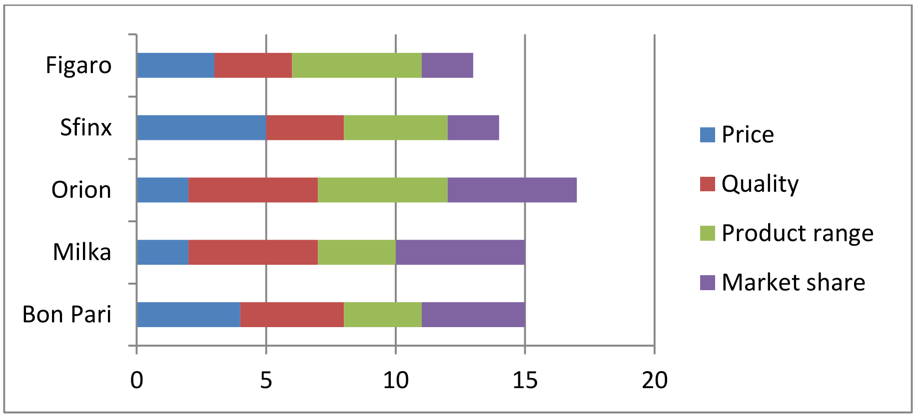

Figure 6: Benchmarking (own source)

According to the Figure 6, the leader among the companies producing candies is Orion, followed by Milka and Bon Pari. Sfinx and Figaro brands are on the last position. To conclude, the product with a relatively high price, good quality and versatile assortment is preferable among Czech consumers what is proved by quite significant as for one product line market share. This is the pattern which foreign confectionary producer should follow in order to succeed on the target market.

3.4 PESTLE analysis of Czech market

The Czech Republic is considered to be among the best performing countries from the former Soviet Union in terms of encouraging a democracy. However, the government and opposition face many corruption scandals as well as reforms that have led to political instability in the country. Though, after the recent elections, political situation is gaining stability.

The Czech government has a strong welfare system, especially in terms of healthcare services, expenditures for which were of 7.6% of GDP in 2012. Ultimately, the human development indicator of Czech Republic is one of the highest in the Europe. The country also receives a support from EU funds in form of increasing investments in the service sector and R&D. Despite the fact that R&D expenditures are low in the Czech Republic, the government is providing grants and tax incentives in order to develop the manufacturing sector (PESTLE analysis, 2011).

The business environment in the country is relatively strong with its high level of financial, trade, monetary, labour, and fiscal freedoms. The Czech Republic also has low corporate tax rates in comparison with other European countries. In 2014 the corporate tax rate in the Czech Republic is 19% which is lower than in some European countries like Germany (29.58%), France (33.33%), Austria (30%), but slightly higher than in Ukraine (18%) (KPMG, Corporate tax rates table). However, the country has to consider the easing of procedures required to start the business, because the indicator of its simplicity in the country is 9.0 compared to the average 5.6 among other countries of Organization for Economic Cooperation and Development (OECD). This means that it will take approximately 20 days for company to start business on the territory of Czech Republic, while on average it would take 13.8 days in other countries of OECD (PESTLE analysis, 2011).

Political factors (PESTLE analysis, 2011)**:**

- Successful transition to democracy
- High ranking of governance indicators
- Political corruption
- Improving relations with the USA
- Reforms to improve government finances
- Rise in organized crime

The Czech Republic has successfully adopted democratic values and shows high ranks of such indicators as voice and accountability, regulation of quality, and supremacy of law. The country is building stronger relations with the USA and EU which will help the development of its economy. Furthermore, government is planning to improve the financial situation of the country by introducing new reforms.

However, some government representatives and political leadership face corruption scandals and charges. The interior ministry is concerned about the raise of organized crime which is present even among government representatives. Therefore the introduction of the new reforms remains a challenge.

Economic factors (PESTLE analysis, 2011)**:**

- Strong services sector
- Strong credit rating
- Rising fiscal and current account deficit
- Unemployment
- Increased foreign direct investments
- Czech Republic to benefit from closer integration with the EU
- VAT to increase

Table 13: Main macroeconomic indicators (Financial Policy Department of the Czech Ministry of Finance)

Macroeconomic indicators		**2010**	**2011**	**2012**	**2013**	**2014 est.**	**2015 est.**
Gross domestic product	*growth in %, const.pr.*	2,5	1,8	-1,0	-0,9	1,7	2,0
Consumption of house-holds	*growth in %, const.pr.*	0,9	0,5	-2,1	0,1	0,6	1,5
Consumption of government	*growth in %, const.pr.*	0,2	-2,7	-1,9	1,6	0,8	0,7
Contr. of foreign trade to GDP growth	*p.p., const.pr.*	0,6	1,9	1,7	-0,3	0,5	0,6
Average inflation rate	*per cent*	1,5	1,9	3,3	1,4	1,0	2,3
Employment (LFS)	*growth in per cent*	-1,0	0,4	0,4	1,0	0,2	0,2
Unemployment rate (LFS)	*average in per cent*	7,3	6,7	7,0	7,0	6,8	6,6

Czech Statistical Office recorded the rise in consumer confidence level in 2013. This should result in increase of private consumption and household spending (Table 13). The GDP is expected to grow despite the modest growth of Czech economy in the second quarter of 2013. There is also a rise of unemployment rate though it still stays below the EU average. The annual inflation rate stopped at 1% in September 2013. The prices for food and beverages show a tendency to decrease (Czech Republic food and drink report, 2014).

Service sectors as the one of the major contributors to economic activity of the Czech Republic, is growing constantly and expected to reach the annual growth around 6 % by 2016. The country's credit rating has risen due to the low foreign debt and stable banking sector. Moreover, the country became more attractive for foreign direct investments since the introduction of new exchange rate (1EUR=27 CZK instead of 25 CZK) and close integration with the EU. At the same time, a high fiscal and current account deficit along with high unemployment crates some concern (Czech Republic food and drink report, 2014).

The increase of the value added tax (VAT) has a strong impact on prices for confectionary products, and eventually, company's success on the Czech market. VAT has grown for the past five years from 10% to 14%, followed by the recent increase to 17.5 % (Czech Republic food and drink report, 2014).

Growing prices of goods but constant wages is a common situation for many countries in Europe. Nominal increase of the average wage in Czech Republic is 2.3%, but real purchasing power of employees declined by 1.1% (PESTLE analysis, 2011).

There is a slight increase in the inflation rate from around 2 % in 2011-2012 to 3 % in 2013 (Czech Republic food and drink report, 2014).

According to the Wall Street Journal, the Czech Republic takes the 28^{th} place among countries with freest economies and strongest business environments.

Socio-demographical factors (PESTLE analysis, 2011):

- Strong healthcare sector
- Decline in student numbers
- Pension reforms
- Healthcare reforms
- Aging population
- Relatively high unemployment rate
- Change in the lifestyle

Table 14: Demographic statistical data, *in thousands of persons* (Financial Policy Department of the Czech Ministry of Finance)

	2012	**2013**	**2014 forecasted**	**2015 forecasted**
Total population	10,505	10,516	10,512	10,518
growth in %	0.2	0.1	0.0	0.1
People aged 0-14	1,541	1,560	1,579	1,594
growth in %	1.3	1.2	1.2	0.9
People aged 15-64	7,263	7,188	7,106	7,042
growth in %	-0.9	-1.0	-1.1	-0.9
People aged 65 and more	1,701	1,768	1,828	1,882
	3.9	3.9	3.4	3.0
Births	109	107	104	102

According to the official statistical data from the Ministry of Finance of the Czech Republic presented in the Table 14, there is a slight growth of the population, though the data shows a positive tendency of aging population (people aged 65 and over). The number of yearly births is decreasing.

There is an evidence of change in the lifestyle of Czech citizens. People are getting more oriented on healthier products which they choose carefully paying more attention to quality and ingredients. Czech citizens are also susceptible to advertisement and discounts. The consumer expenditures are affected by certain lack of consumer confidence. Therefore the demand for private cheaper labels is likely to grow.

Technological factors (PESTLE analysis, 2011):

- Increasing investments in R&D
- Support from structural funds
- Lack of innovation
- Boost to manufacturing sector

The total expenditures of the country for R&D increased and accounted for averaged around 1.5 % of GDP, though there is still lack of innovations. In addition, Israel together with Czech Republic are providing grants to undertake R&D projects up to 2016 in amount of $31.4 m into such fields as IT and communication technology, agriculture and food processing, biotechnology, sustainable technologies, and engineering (PESTLE analysis, 2011).

The government also provides tax holidays for companies who establish their facilities on the territory of CR and provide the work places, public scientific research institutions, and R&D cooperation with high schools.

The R&D efforts of the companies on the confectionary market are focused mainly on the quality improvements: development of new additives and packaging, optimization of logistics. The number of research in GMO field conducted in Czech Republic as well as in other EU countries has declined recently has at least 30% fewer patent applications (PESTLE analysis, 2011).

Legal factors (PESTLE analysis, 2011):

- Increased competition and regulations due to membership of EU
- Great number of health and safety requirements to comply with in the industry
- Raise of costs due to tough environmental legislation, food and hygiene law
- Increasing role of global principles to protect human rights, labour and environment
- Strong business environment
- Low corporate tax rates
- Poor regulatory environment for business
- Price controls in some sectors
- Future prospects Future risks
- Easing of trade licensing procedures
- Low participation in pension reforms

In 2011 the government of Czech Republic introduced some changes to the Trade Licensing Act and the Commercial Code which simplified the procedures for foreign companies to undertake licensed trade. However, the number of procedures to start business on the territory of the CR is still remaining high compare to other EU countries. On average it is required 20 days to establish a business entity in the country when it’s around 13.8 days in the EU countries (PESTLE analysis, 2011).

Although the government of Czech Republic has a power to regulate prices according to the Price Law since 1991, it doesn’t intervene into the price policies of the companies. The Ministry of Finance can regulate prices of commercial transactions by setting minimum or maximum, decides on periods when prices remain unchanged, or fixes prices. Such regulations are applied mainly to prices for energy, raw materials, telecommunication tariffs, domestic rents, rail and bus transport.

The decreased corporate tax rate is making the country a very attractive destination for investments. In general, the business environment in Czech Republic is regulated by Czech domestic legislation, EU legislation, and a number of international agreements. The restrictions on business activities of foreign companies are rarely applied, but it is necessary to obtain a business license from the trade licensing office. The country's rank in the report of World Bank's Doing Business 2011 was improved by 19 positions (PESTLE analysis, 2011).

As a future prospect the country should consider to easing the trade licensing procedures. The easing of trade regulations was made in 2008 when government introduced the single trade license for most types of business. In 2011 the obligatory requirement for foreign entities was removed so that foreigners do not have to register their companies in the Commercial Register. The only requirement to start the business is to submit a long-term visa or residence permit to the Trade licensing office.

Environmental factors (PESTLE analysis, 2011):

- Environmental sustainability trends
- Consumer scepticism and awareness
- Demand for new skills to match technological developments in food and beverage industry
- Globalization and international competition
- Participation in global environmental pacts
- Emphasis on renewable energy
- Growing vehicular pollution

The Czech Republic participates in a number of international environmental treaties and agreements. The government is undertaking reforms in order to increase the use of renewable energy resources and reduce greenhouse gas emissions

4 COMPANY ANALYSIS

4.1 History of the company "Roshen"

The confectionary corporation "Roshen" is a large producer of sweets. It was established in 1996, and now the company is the leading confectionary manufacturer with 10000 employees and around 1billion USD turnover. As of 2013, Roshen is ranked 18^{th} in the "Candy Industry Top 100" list (www.candyindustry.com). Under the slogan "The sweet sign of quality" Roshen produces more than 320 types of high quality confections including chocolate bars, cakes, truffles, pralines, panned confections, toffee & caramel, marzipan, hard candies, gummies, jellies, liquorice, chews, fruit snacks and jelly beans. Total production volume is accounted for 450K tons per year (Roshen, about).

The company is headquartered in Kyiv, the capital of Ukraine. Roshen unites Ukrainian factories (in Kyiv, Vinnytsia, and Kremenchuk), two production spots of Lipetsk confectionary factory in Russia, Klaipeda confectionary factory in Lithuania, Bonbonetti Choco Kft in Budapest, and also butter & milk plant which provides all factories of the corporation with high quality dairy products.

Manufacturing entities of Roshen are certified according to international quality standards and safety of foodstuff standards. All facilities of the corporation employ the system of quality control which meets the requirements of ISO 9001:2008, and system of foodstuff safety control which meet the standards of ISO 22000:2005 (Roshen, about).

In order to improve the conditions of storing of raw materials and finished goods, and to optimise the supply of goods as well as minimisation of the time of products storage in the warehouses, the company incorporated in-house logistics centres. Its total area is 60 000 sq. m, where 57 sq. m is the area of warehouses (Roshen, about).

Except of Ukraine, Roshen products are introduced in Russia, Kazakhstan, Belorussia, countries of Caucasus and Middle Asia, Germany, USA, Moldova, Israel, Lithuania, Hungary and others.

Since March 2013, Roshen started co-production with a contract manufacturer in Hungary under the brand Bonbonetti. The first manufacturer's store was opened in the centre of Budapest (Bonbonetti, company news).

4.2 Product portfolio

According to the information provided on the official web-page of Roshen corporation, the company produces more than 200 types of confectionary products. Though, the product range for domestic market is the way wider, than for the export.

Portfolio for the Ukrainian market includes (Roshen, products):

1. Chocolate:

- ROSHEN Bitter (4 types)
- ROSHEN Elegance (4 types)
- ROSHEN Origin (6 types)
- ROSHEN LoungeBar (5 types)
- ROSHEN Classic (23 types)
- Traditional Chocolate (2 types)
- Chocolate sets (4 types)

2. Chocolate Sticks (6 types)

3. Chocolate candies in gift boxes (13 types)

The wide range of the **candies sold by weight** is what distinct Roshen from other confectionary companies.

4. Chocolate and Glazed candies:

Cream candies (around 20 types), among which are:

Roshen De Luxe” “Angaje” “Variety”

Toffee-based candies:

“Grand Toffy” “Choco paws” “Candy nut”

Nougat-based candies (7 types):

"Trufarela" "Torroncini" "Nougat Roshen"

<u>Praline candies (11 types):</u>

"Chicolissimo" "Mont Blanc"

<u>Waffled candies (10 types):</u>

"Johny Krocker Chocolate" "Konafetto" "Chocolate Castle"

<u>Jelly candies:</u>

"South night" "Sunny beetle" "Fruity bee"

<u>Cast cream candies (5 types)</u>

<u>Candies with fruits:</u>

"Dried apricot in chocolate Roshen" "Prune in chocolate Roshen" "Cherry in chocolate"

Multi-layer candies (4 types):

"Roshen dessert berries"

"Roshen dessert honey"

5. Non-glazed candies (9 types):

"Basarili"

"Fruit Toffee Roshen "

"Turonchiki"

6. Caramel candies (30 types)

7. Waffled confections (16 types)

8. Cookies (15 types)

9. Crackers (8 types)

10. Biscuits (10 types)

11. Cakes (5 types):

"Kyiv's"

"Cappuccino Roshen"

"Candied roasted nut Roshen"

12. Products under the sign "Premium" (8 types):

Cake "Nut"

"Marshmallow in chocolate"

"Rum cake"

4.3 SWOT analysis of corporation Roshen

4.3.1 Internal Factor Evaluation Matrix

One of the key strengths of the company is the variety of confections it offers. The company produces more than 200 types of confectionary products among which candies take the most important position since they can be offered on foreign market where such type of product is not that common and might create a high demand. In addition, all products produced by Roshen are of highest quality which is proved by international standards that company meets. Relatively high turnover of the company and annual volumes of sales indicate its strong financial performance which allows corporation Roshen to invest in R&D, improve its logistics and warehousing, and expand its business abroad what company successfully does.

Among weak sides of Roshen is its unawareness abroad. The company is also lacking promotional activities on the target market. Moreover, Roshen has to conduct a marketing research before going to the market since company has little knowledge about potential demand, regulations on the market, potential distributors, etc. Another issue is fast spoiling ingredients of confectionary products, especially of cakes, what makes it difficult for company to export its products abroad. The evaluation of internal factors is presented in the Table 15.

Table 15: Internal Factor Evaluation Matrix (own source)

INTERNAL FACTORS			
STRENGTHS	**Weight**	**Rating**	**Weighted Score**
Wide range of products	0.2	4	0.8
Strong financial performance	0.13	4	0.52
High-quality products	0.1	4	0.4
R&D	0.1	3	0.3
Logistics	0.05	3	0.15
Experience with business abroad	0.07	3	0.21
WEAKNESSES	**Weight**	**Rating**	**Weighted Score**
Absence of global awareness	0.13	1	0.13
Weak advertising campaign	0.07	2	0.14
Expiring period of the products	0.04	2	0.08
Lack of local market knowledge	0.11	1	0.11
TOTAL	**1**		**2.52**

4.3.2 External Factor Evaluation Matrix

Although the confectionary market can be characterized as large growing market with intense rivalry, the competitive advantage of the corporation can help to take a niche of candies which are sold by weight. The evidence of consumers' price sensitivity and possible co-operation with foreign companies who already operate on the market can help Roshen to increase its chances for success on the market. In addition, the increasing attention from customers to environmental problems can be used by Roshen to improve its image.

On the other hand, there is number of threats that can damage the company's reputation and create barriers for market entry among which are unstable political environment in Ukraine, poor image of home-country, and an intensive rivalry on the market between several big players. Although the Czech Republic is considered as country with a relatively simple system for foreign entity to start its business on the territory of the country, there are still certain regulations that foreign companies have to be aware of. Moreover, the threat from increasing market share of private labels can become an issue because customers prefer private those products for their low price and satisfactory quality. The evaluation of external factors is presented in the Table 16.

Table 16: External Factor Evaluation Matrix (own source)

EXTERNAL FACTORS			
OPPORTUNITIES	**Weight**	**Rating**	**Weighted Score**
Economy of scale	0.14	4	0.56
Unoccupied niche	0.13	4	0.52
Price-sensitive consumers	0.08	3	0.24
Growing market	0.1	4	0.4
Increasing attention to environmental issues	0.05	3	0.15
THREATS	**Weight**	**Rating**	**Weighted Score**
Strong competition	0.11	1	0.11
Political and economic instability in the home-country	0.13	1	0.13
Barriers of moving products across borders and though different countries	0.09	2	0.18
Poor image of the home-country	0.1	1	0.1
Increasing growth of private labels	0.07	2	0.14
TOTAL	**1**		**2.53**

4.3.3 Space matrix

The result of IFE and EFE matrixes which will help to determine the type of strategy that company should pursue is depicted with help of Space matrix on the Picture 7.

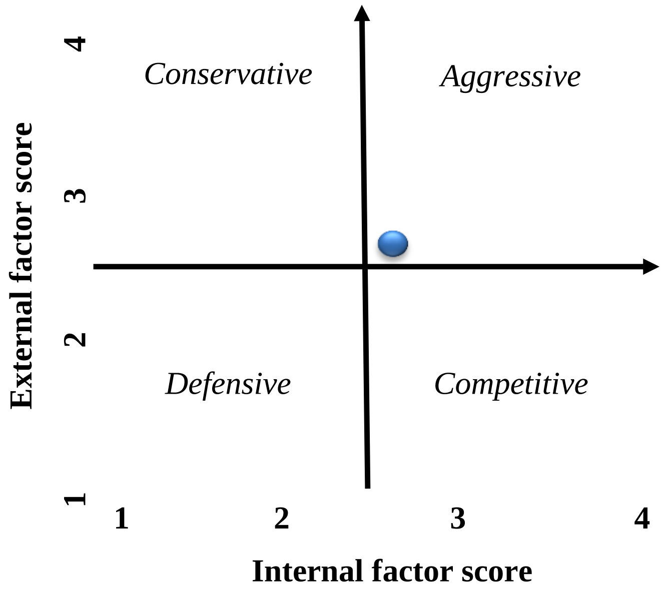

Figure 7: Space matrix (own source)

According to the position of the company in the space matrix, it should pursue aggressive strategy on the market. The corporation has strong competitive advantages which might help it to acquire a share of the growing confectionary market in Czech Republic. This can be achieved through product proper positioning, intensive promotion and strategic cooperation with foreign companies.

The aggressive type of strategy implies the utilization of company's strengths and opportunities in order to gain maximum benefit and achieve the goal. Some of the strong sides of the company such as wide choice of high-quality products and strong financial performance can be used to take opportunity of growing confectionary market and new target segment. This may help Roshen to start penetration of the market with direct or indirect export. If confections of the corporation will be demanded on the market, the company can open the own candy shop to attract customers even more. The company can also cooperate with other confection producers on the market in order to take the opportunity of economy of scale and to avoid a poor country-of origin image by introducing products under the different name. The strategic partnership with Hungarian confectionary manufacturer Bonbonetti can be also used to penetrate the market under more euphonious appellation. The possible strategies are presented in the Table 17.

Table 17: Suggested strategies for market entry (own source)

Strengths/Opportunities	• Wide range of products • Strong financial performance • High-quality products • R&D • Logistics • Experience with business abroad
• Economy of scale • Unoccupied niche • Price-sensitive consumers • Growing market • Increasing attention to environmental issues	1. Direct export under Roshen brand 2. Co-operation with a confectionary producer which operates on the Czech market 3. Usage of existent partnership to expand on the Czech market (Bonbonetti Group) 4. Opening the own candy shop 5. Introduction of a new brand

4.3.4 Quantitative strategic planning matrix

In order to evaluate the relativity of each suggested strategy from the perspective of internal and external environment the quantitative strategic planning matrix is used (Appendix V). After the calculation of attractiveness score of each alternative strategy, the priority of courses of action was determined as following:

1. Direct export under Roshen brand.
2. Opening the own candy shop.
3. Usage of existent partnership to expand on the market.
4. Introduction of a new brand.
5. Co-operation with a company which operates on the Czech market.

It is necessary to emphasize that each of the suggested strategies has its pros and cons. The exporting under the brand Roshen can turned out to be unsuccessful because of the lack of awareness about the name on the target market and unattractive image of home-country of the producer. Opening the own candy shop on the one hand could help company to stand out among the competitors, but on the other hand, it requires a significant amount of investments including investments for promotion. Usage of existent partnership for market entry can be easier form the financial point of view, as well as availability of skilful workforce, higher awareness of foreign partner's brand among target segment, though it is more complicated to utilize the advantage of wide product range of the corporation Roshen since the assortment produced abroad is limited. Introduction of the new brand requires a lot of investments for rebranding, packaging, promotional activities, etc. Concerning the last strategy, it is a complicated process to find a new business partner for fruitful co-operation taking into account the intensity of competition on the Czech confectionary market with acquisition tendencies.

4.4 General Electric matrix for Roshen

To support the decision of the Czech market entry, the GE (McKinsey) matrix is applied which helps to justify resources allocation based on to the position of the strategic business unit on the GE matrix.

Market attractiveness is determined by the factors listed in the Table 18.

Table 18: Y-axis, Market Attractiveness (own source)

Factors	**Weight**	**Points**	**Score**
Market size	0.08	3	0.24
Growth rate of the market	0.06	3	0.18
ROE, ROI	0.07	4	0.28
Profitability of the sector	0.08	4	0.32
Intensity of competitive attacks	0.08	2	0.16
Used business margins of the sector	0.07	4	0.28
Degree of differentiation	0.04	3	0.12
Fluctuations in demand of the sector	0.05	5	0.25
Relationships between customers and suppliers	0.06	3	0.18
Variability of demand	0.06	4	0.24
Space of technological innovation	0.06	2	0.12
Availability of market information	0.06	4	0.24
Availability of labour	0.04	3	0.12
Global opportunities	0.07	2	0.14
Entry barriers	0.06	4	0.24
Exit barriers	0.06	4	0.24
SUMMARY	1		3.35

The level of market attractiveness is evaluated by multiplying the estimated value of every factor by the factor's weight.

The competitive strengths of the company that may influence the decision of foreign market entry are evaluated in the Table 19.

Table 19: X-axis, Business Unit Strength (own source)

Factors	**Weight**	**Points**	**Score**
Production capacity	0.03	2	0.06
Production flexibility	0.03	2	0.06
Price per product	0.06	2	0.12
Skills in the field of R&D	0.04	3	0.12
Quality	0.06	4	0.24
Reliability	0.06	4	0.24
Image of the company in the sector	0.06	2	0.12
Uniqueness of the products	0.06	4	0.24
Costs and profitability	0.06	3	0.18
Business margins compared to competitors	0.05	3	0.15
Adaptation possibilities of the production	0.04	2	0.08
Organizational skills	0.05	2	0.1
Market share increase ratio	0.05	3	0.15
Marketing skills	0.06	2	0.12
Degree of managerial skills	0.06	3	0.18
Experience and skills of employees	0.05	2	0.1
Quality of distribution net	0.04	1	0.04
Number and efficiency of salesmen	0.04	2	0.08
Quality of provided services	0.04	2	0.08
Loyalty of customers and knowledge about the brand	0.06	1	0.06
SUMMARY	1		2.52

The summary of the Tables 18 and 19 determines the position of the company in the GE matrix (Figure 8).

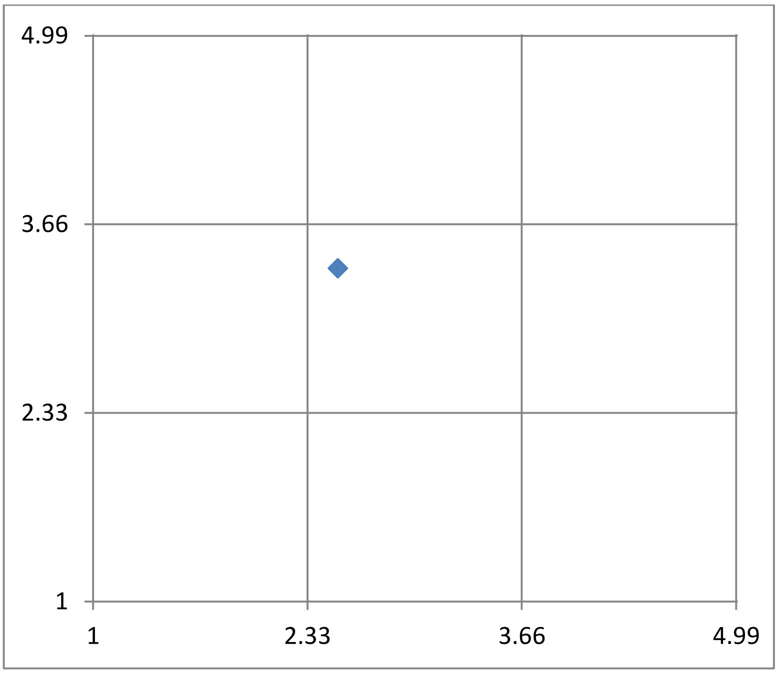

Figure 8: GE matrix (own source)

The result of market attractiveness and competitive strength of the company corresponds to the third field of the GE matrix (Figure 8). This means the company should develop its business selectively upon its strengths – chose only attractive sector with low competition strength, monitor opportunities and evaluate them. For Roshen it means that company can pursue business in the niche where the competition is not that strong as for example offer on the market candies sold by weight.

5 PORTER'S FIVE FORCES

5.1.1 Threat of New Entrants

The market of confectionary products and food industry in general is very large and it can be considered to be very competitive and attractive. There are several big players on the market which took the biggest shares of it. The market can also be characterized in a way that there is a big variety of products offered by competitors with very tight price ranges. However, there are no significant barriers for entering market such as monopoly, for instance, or control over resources. Also there are no difficulties for distribution channels access since there are a number of large retailers operating on the market. The biggest problem to enter the market is a very intense competition from competitors with strong position, famous brand names and customers' loyalty. Also, significant capital investments and volumes are required in order to be profitable since it's a mass-market. Therefore, it is a challenge for new company to compete with such market leaders as Nestle, Mars or Mondelez (Kraft Foods) who have been on the market for a long time so they gained trust of customers and persistence position. On the other hand, the customers of the confectionary market are quite price sensitive that can become a way for a new company to penetrate the market. In addition, the slight growth of the market can be attractive. To conclude, the threat of new entrants has a moderate strength.

5.1.2 Threat of Substitute Goods

Substitute goods for confections can include fresh or dry fruits, savoury snacks or similar. In fact, the current trend of healthy lifestyle which means cut of sugar consumption is a threat for the confectionary market. The innovation is the way how to avoid this threat or, on contrary, use it as a way to enter the market. Therefore, the market leaders such as Nestle pay much attention to innovations. In order to differentiate its products Nestle CR is striving to satisfy the demand for healthy-oriented products, wellness products, etc. Also, the company is also acquiring a bigger market share due to producing confections under other brands like Orion which is considered as a former Czech brand. To sum up, threat of substitute goods is moderate.

5.1.3 Bargaining Power of Suppliers

Supplier is one of the key factors in the production chain and often considered as one of the main strengths of the company. Suppliers for confectionary companies are of highest importance and influence as the quality of final products heavily depends on quality of raw materials: cocoa beans, milk, sugar and others. Most of the cocoa raw materials are supplied from such countries as Brazil, Ghana, Indonesia and others. Companies don't have much influence on the raw material's prices since they are bought on commodity markets.

If a company wants to position its products as high-quality it should pay much attention on building strong long-lasting relations with its suppliers. The poor control over supply chain can also lead to a damage of company's image which happened to Nestle when using of child labour in its cocoa-bean supply chain has come to light. Moreover, the supplier's power is strengthened to some extent by growing pressure from consumers on producers to adapt a fair trade practices. Overall, supplier power on the confectionary market is moderate.

5.1.4 Bargaining Power of Customers

The confectionary market is characterized by wide range of products, so companies can easily create a new product to stand out of the rest competitors. For instance, the increasing number of confection producers introduces sugar-free products for diabetics. There is also possibility to easily differentiate product with help of flavours and additives. This fact, as well as growing investments of companies in the advertising to build a brand loyalty, reduces the bargaining power of customers. To conclude, the bargaining power of customers has a moderate strength.

Corporation Roshen is doing its business on business-to-consumer market that is why the bargaining power of suppliers plays an important role. The company like Roshen can decrease the power of customers by providing them with high-quality and differentiated products, as well as by following changes in consumer needs and fully satisfy them. Also, the company has to build trusting relations with its customer by conducting proper public relations and promotional campaigns that would build a positive image of the company and lead to customers' loyalty.

5.1.5 Competitive Rivalry within the Industry

The food industry and confectionary market in particular are very competitive fields that mean the competitors always strive to provide new better offers and higher quality and diverse confections. That is why consumers on this market have more sophisticated demand and higher requirements towards the products. The biggest rivals on the market are

Nestle, Mondelez (Kraft Foods), Ferrero, and Mars. The smaller share of market is taken by small domestic producers. However, the customer's loyalty is not that strong and they can easily switch to another brand if the product is more interesting in terms of lower price or more differentiated offer. Threat from private labels is important to take into account as consumers become price-conscious during the times of recession.

In conclusion, Porter's model applied to Corporation Roshen describes the food industry as a competitive, attractive and profitable market. As it was mentioned above, the large players on the market have strong position so that it makes very hard to compete. Threat of new entrants in the industry is moderate. Threat of substitute goods is not significant taking into account the type of products. Bargaining power of suppliers is not that strong, due to the purchasing power of the company and its own raw material production facilities. Also, bargaining power of customers is considerably significant, butt. And in the end, the rivalry is concentrated within the industry, with four major competitors who control of around 80% of the market.

6 LEGAL REQUIREMENT FOR FOREIGN ENTITY TO ENTER THE CZECH MARKET

Czech Republic as an EU member is following the EU's Harmonized Tariff Schedule which is also called Integrated Tariff of the European Community (TARIC) which aim is to put some measures on the import and export. According to this, all goods imported to the Czech Republic are imposed with import duties. There are general import tariffs or conventional duties that are applied if there is no any special agreement between countries. In this case the level of tariff is determined according to the exporting country and type of product. Export of confectionary products from Ukraine to the countries of European Union is a subject of 0 % tariffs (Table 20).

Table 20: Measures for export (TARIC)

Type of product	**Tariff preference**
White chocolate	0 %
Pastes, including marzipan, in immediate packing of a net content of 1kg or more	0%
Throat pastilles and cough drops	0 %
Gum confectionery and jelly confectionery, including fruit pastes in the form of sugar confectionery	0 %
Toffees, caramels and similar sweets	0 %
Chocolate and other food preparations containing cocoa	0 %

In April 2014 the European Commission took a decision to cancel the duties for exported product from Ukraine to EU. The decision is valid until 1st November 2014 when European Commission is planning to streamline the trade relations between Ukraine and EU by signing the agreement on free-trade zone. Before this, Ukrainian companies obtained an opportunity to export their products to EU with partly removed barriers by 0% tariffs and duties for half a year. Though, this applied only for products of those companies which met the requirements of international standards (ISO). Furthermore, there are no specific licenses or quotas stated on confectionary products in Czech Republic (Korrespondent.net).

Nevertheless, there are some other obstacles for exporting goods to EU related to the legislation of the union member states. Example of such obstacle is non-tariff barriers which primary created to protect domestic business and consumers such as requirements concerning health, safety, and environment.

Among other important issues that companies out from EU may lack are:

- Management and marketing skills for foreign market;
- Insufficient knowledge regarding legal framework and regulations;
- Investment climate abroad;
- Transportation means and storage facilities.

6.1 Technical standards for confectionary products

The general rules for foodstuff of non-animal origin in the European Union are applicable for confectionary products as well in order to protect the public health. Among them are following (Market research: Confectionary and milling in the Czech Republic):

1. Hygiene rules for foodstuff
2. Conditions regarding contaminants in food
3. Genetically modified and novel food provisions
4. Rules of foodstuff preparation conditions
5. Final control of food

1. Hygiene rules for foodstuff

These regulations cover such aspects as preparation of food, processing, manufacturing process, packaging, transportation, storage, distribution and selling of goods.

2. Conditions regarding contaminants in food

Contaminants may be found in food because of improper manufacturing process or because of the environmental pollution. Therefore, the EU took measures to reduce the risk of health problems by setting the limits of contaminants content in food:

2.1. Maximum level of contaminants such as nitrates, heavy metals, and others specified in the Regulation (EC) 466/2001 (Market research: Confectionary and milling in the Czech Republic).

The level of these contaminants shouldn't exceed the fixed level neither in the final product not in the ingredients used for the production.

2.2. Maximum level of pesticides in food depends on the toxicity of certain type of substance contained in fruits, vegetables, cereals or other products of plant-origin. This regulation is also covering processed or dried fruits and vegetables which are ingredients for final product (Market research: Confectionary and milling in the Czech Republic).

2.3. Maximum level of radioactive substances in food varies depending on the type of product. For those consumed more seldom and in fewer quantities the level of radioactive contamination might be higher. The permitted levels are highlighted in Regulation (EC) 3954/1987 and 944/1989 (Market research: Confectionary and milling in the Czech Republic).

2.4. Rules concerning materials that might be in contact with food.

The materials that supposed to be in contact with food must be manufactured in such way so that the transfer of the materials constituents is either excluded or minimized to the fixed level to reduce the risk of harm for human health. There are rules for condition of use and purity standards of such materials as plastic, glass, rubber, paper, ceramics, etc. which are described in the Regulation 1935/2004 (Market research: Confectionary and milling in the Czech Republic).

3. Genetically modified and novel food provisions

The European Union carries out a unified authorization procedure of placing products which contain GM organisms on the market. The risks are assessed by the European Food Safety Authority (EFSA) which considers submitted applications from companies. The Commission allows or rejects the authorization on the basis of EFSA's recommendation. The Commission's proposal has to be approved by the Committee of Food Chain and Animal Health.

Novel food is those food or its ingredients that were not used significantly before 15.05.1997 on the territory of EU. This kind of food is a subject of additional assessment before placing on the market (Market research: Confectionary and milling in the Czech Republic).

Company which is launching a novel food should submit an application for risk evaluation to a member state. The later obtained authorization decision is including conditions of product usage, determination of food and its ingredients, labeling requirements and other specifications. If novel food was recognized as being an equivalent of existing food, it may undergo a simplified procedure when only notification from the firm is needed.

4. Rules of foodstuff preparation conditions.

There are specific Directives regarding foodstuff treatment including condition of use of food and the ingredients, hygiene standards, list of additives, etc.

4.1. Allowed additives and flavorings of food are only those approved in the general list and only under the conditions specified there. This relates to emulsifiers, colorants, stabilizers, sweeteners, etc. (Market research: Confectionary and milling in the Czech Republic).

4.2. Preparation of food.

Rules relating to production process and importation issues of specific type of food such as quick-freezing, for example, must be met.

4.3. Specific security measures for certain types of products and food

Specific standards of composition, hygiene, purity, labeling can be applied for cacao and sugar products, as well as products for particular nutrition needs such as diabetic, dietary food, etc. The procedure which must be undertaken is established by relevant Directive.

5. Final control of food.

The official inspections of foodstuff are described in Directive 89/397/EEC including regulations of additives, materials in contact with product and other elements. This control can be held when product is imported on the territory of the Czech Republic or during any other stage of the food chain: selling, distribution, storage, transportation or even production. The inspection implies taking samples for analysis, checking of documentation, control of compliance with hygiene standards. The control is carried out by the competent authority of the member state on the regular basis (Market research: Confectionary and milling in the Czech Republic).

The request for inspection should be applied by importer before importation and all the necessary documents including certificates should be enclosed. The goods and documents will be also checked at the custom point. Once the inspection was conducted and products approved the goods can be freely distributed all over the country.

6.2 Packaging and labeling

Despite the primary role of packaging to protect the product from changes of temperature, changing shape, braking, etc. it also has to comply with some requirements like information about the product, order number, contact information.

In developing countries with the increased attention to environmental issues, the products packaged in non-recyclable materials like PVC may not be that popular or forbidden at all. Therefore, the exporter has to be ready to tackle the issue or to invest in development of specific packaging (Market research: Confectionary and milling in the Czech Republic).

The legislation relating to packaging and its waste recycling is established by the European Directive on Packaging and Packaging Waste. Some countries adopted it to national legislation. According to this Directive, every exporter is responsible for recycling its packaging waste. That is why it is essential to take into account sales and transporting packaging. It should protect goods during distribution and storing, has to function as a mean of marketing and promotion, and brings no harm to environment.

The European Union rules concerning labeling are aimed to ensure that customers are informed about the product and its content. There are general rules on food labeling along with specific regulations on certain types of products like foods which contains GMO and novel food, for particular nutrition (diabetic), materials that in contact with food and other.

General rules of product labeling are following (Market research: Confectionary and milling in the Czech Republic):

- Name under which the goods are sold (brand name or generic name)
- List of ingredients
- Net quantity
- Expire date
- Special conditions of use
- Country of origin
- Instruction of use if appropriate
- Indication of alcohol percentage
- Lot marking

The competent authority in Czech Republic is Czech Agriculture and Food Inspection Authority – Internal and External Communication Unit.

6.3 Required documentation for starting business in the Czech Republic

If company from Ukraine wants to export goods to Czech Republic the following documents are required:

1. Commercial invoice: record of import-export transactions which is obligatory for custom clearance. The minimum included data in the invoice (Market research: Confectionary and milling in the Czech Republic):

- Contact information about importer and exporter;
- Invoice number;
- Issue date;
- Goods description;
- Units of measures and quantity;
- Total value of items;
- Currency of payment;
- Terms and methods of payment;
- Transport means.

2. Customs declaration of value: the documents by which company declares if the value of importing goods is over EUR 10000. This is needed to assess the tariff duties.

3. Freight insurance.

4. Customs Import Declaration.

All products imported to EU must be declared with the Single Administrative Document (SAD) to authorized customs representatives of the member state. The declaration should be written in the language acceptable for customs authority of the member state.

The information for SAD (Market research: Confectionary and milling in the Czech Republic):

- Contact and identification data of all parties involved in the import-export relations;
- Customs approval for operation;
- Identification of imported products;
- Transport means;
- Country of origin;
- Financial and commercial information: currency, total value, insurance, exchange rate, incoterms;
- Declaration for and payment method of import taxes: VAT, tariff duties, etc.

5. Freight documents.

Customs authorities of the member state of the EU requires following document depending on the mean of transport used for importing (Market research: Confectionary and milling in the Czech Republic):

- Bill of loading (issued by shipping company)
- International Federation of Forwarding Agents' Association Bill of Loading (combined transport document)
- Road Waybill (transportation by road)
- Air Waybill (issued by carrier's agent)
- Rail Waybill
- ATA Carnet (issued by the chambers of commerce for goods which are free of taxes and custom duties)
- TIR Carnet (transportation is done partly by road; goods are carried in secure vehicles; all risks are covered by internationally recognized guarantee)

6. Packing list is required for inventory of imported cargo and it is providing information on the imported goods and their packaging details including weight, handling, dimensions, etc.

In case a foreign entity wants to establish subsidiary in the Czech Republic, it will have to undertake three main legal procedures:

1. In order to acquire a commercial license, which allows a foreign firm to start business on the territory of the Czech Republic, the firm must register in the Commercial Registry of the Regional Commercial Court. The procedure may take up to 7 working days and costs 5000 CZK (Tskitishvili, 2012).

2. The company has to be registered as a tax-payer in the Tax Office. The registration is carried out within one working day and it is free of charge.

3. Social security registration has to be done not later than 8 days from the first working day of the employees. This procedure also takes 1 day and free of charge (Tskitishvili, 2012).

7 THE PROJECT OF THE CZECH MARKET PENETRATION

7.1 Market entry strategy

Once the company took a decision to go on foreign market, it needs to develop a strategy of entry. First of all, the online market research should be conducted in order to find out the competitive situation on the market, as well as political, economic, socio-demographical, legal, technological environment. This can help to evaluate the risks related marketing entry and overall attractiveness and profitability of the target market. Also it is essential to make a research on market segment and potential demand in particular to identify if there is a gap in the market that can be fulfilled with the product of a company.

After making an analysis of the Czech confectionary market, it can be concluded that it is very competitive market and attractive market with lots of different products present on it which mostly satisfy the needs of Czech customers. On the other hand, there is a niche on the market that can be taken by corporation Roshen with its wide range of candies, and further possibility of acquiring bigger market share by utilization of this competitive advantage.

One of the entry modes that would help to enter the market with the lowest investments and risks is the direct export. It is recommended to start the export with smaller amount of products and conduct a research on customer's feedback on the product and potential demand. By selling and providing some free samples of the products at the places such as school cafeterias where the target group of most susceptible to novel products young people can be approached, at coffee shops, at the toy-stores where another target group of young mothers can be found, the company can raise the awareness of the brand and identify if the product will be demanded on the market.

The next step would be to establish a partnership with one or several large distributors and start export in the bigger amounts to cover the bigger territory of the country. At the same time the intensive advertising through media, exhibitions and at the points of sales and points of purchase is important.

In case the export activities result in growing demand and high sales, the company can strengthen its position on the market by opening own shop under the brand name in the center of Prague. The shop will attract even more customers, it will help to strengthen the positive image of the company and eventually give opportunity to expand more on the

Czech market. The shop will provide the full range of the products available for the Czech market that can be exclusively bought there. In addition, the shop may sell the Bonbonetti candies produced by Roshen Corporation and contractual manufacturer Hungarian confection producer Bonbonetti Group.

Taking into account the unstable political situation in Ukraine which creates certain barriers for establishing business relations with foreign company, co-operation with any Czech confection producer might be difficult to start. Hence this strategy is rather impractical at the current stage.

7.2 Adaptation of marketing mix for Czech confectionary market

7.2.1 Product adaptation

According to the research made on favourite sweets of Czech consumer, the candies of Roshen Corporation can fully satisfy the preferences. The company can supply on the market the full range of its products including chocolate bars and sticks, candies, cookies, waffles and biscuits, but not cakes since they don't last long.

The brand name Roshen doesn't have any meaning in Czech language and it is not associated with sweets. Hence, it is recommended to give the products another name which would have more euphonious appellation. The company can export the products under the name "Bonbonetti" which belongs to the joint venture between Roshen Corporation and Bonbonetti Group. In fact, this name is more appropriate for a sweet's brand and can be linked more with Hungarian confectionary producer than with Ukrainian. This may help to slightly reduce the negative country-of-origin effect. In addition, Bonbonetti has a good reputation and long tradition of sweets making. Moreover, the names of the candies should be also changed in order to avoid confusion among customers because all the names of sweets are written in Cyrillic and hard to pronounce even after transliteration.

The individual package of the candies should be adapted as well according to the target segment of consumers. First of all, it is not common in Czech Republic to buy candies by weight. Therefore, the candies sorted to small packages in amount of 200-300 grams should be available in the stores along with candies sold by weight. Secondly, the sweet jelly and milk-chocolate candies which are targeted for kids and young generation can be in more colourful and interactive packages while those sweets that are more expensive and dark chocolate should go in the elegant-looking package since they are intended for older generation people with high income.

7.2.2 Pricing strategy

Another important aspect of the entry strategy is price. Price is not only the way to cover costs of production and make a profit, but it's also a part of promotion as price or discounts can attract customers. This fact is especially crucial for a company which it trying to penetrate market and acquire a market share. Hence, the penetration pricing strategy is the most suitable for it. Since company operates on mass-market with price-sensitive consumers whose wages are estimated as average, the products of corporation Roshen can be offered on the Czech market by the slightly lower price than those of competitors. At the same time, the price cannot be lower than or the same as on the domestic market because the price of products for Czech market includes additional costs for transportation, storage, distribution, export packaging, cargo and insurance payments, market research, documentations costs, costs for promotional activities, and other costs related to the export operations. On the other hand, costs for export will decrease since company will advertise less and some other costs related to start of export will be also eliminated. In addition, some of the expenditures can be covered by revenue which company makes on the domestic market.

The prices for Roshen candies on Ukrainian market vary from 44 to 170 CZK per 1 kg (4.4-17 CZK per 100 g) (according to the exchange rate in April, 2014). Taking into account additional costs, it is recommended to set up the average price for confections Roshen at the level of 25 CZK per 100g.

Thus, the price of product Roshen in comparison with prices of other confection manufacturers operating on the Czech market are described in the Table 21.

Table 21: Prices for confections on the Czech market (own source)

Product	Roshen	"Tatiana" (Figaro)	"I love Milka" (Mondelez)	"Sen" (Orion)	Lindor (Lindt)
Price per 100 g, CZK	25	41.19	55	47	59.90

The data from the Table 21 shows that price for Roshen products on the Czech market almost two times lower than prices of competitors.

Moreover, the opportunity to receive a free sample of candies at the points of sale can also increase attention of customers to novelty products.

7.2.3 Distribution network

The European-style distribution system of Czech Republic is fast developing with constantly growing number of distributors and sales agents. It is relatively small country with almost 10 % of population concentrated in Prague. The personal relationships play a significant role that is why it is recommended to find a Czech business partner to support the penetration strategy and avoid some of the time-consuming and expensive processes.

One of the ways to enter the market is to establish strategic partnership with one large distributor which has wide distribution system covering the most of country's regions. In addition, the distributor can help to develop strategy in accordance with market specifics including pricing strategy, promotion, and competition. Another way is to co-operate with several distributors in order to cover either the entire country or only specific regions.

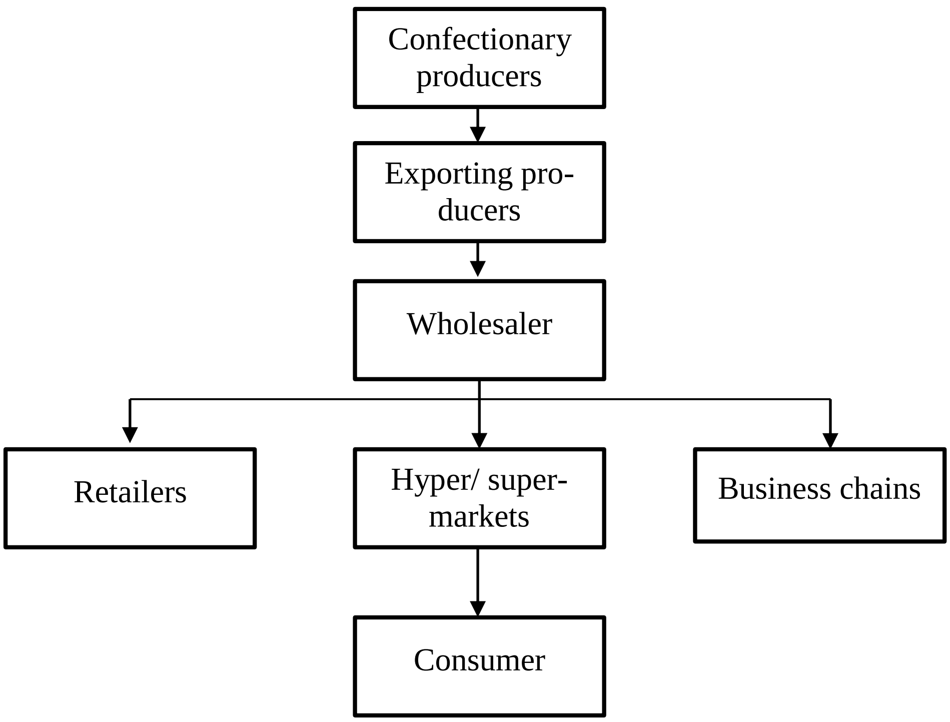

Figure 9: Distribution network (Market research: Confectionary and milling in the Czech Republic)

The products on the Czech market can be distributed through wholesalers, retailers, supermarkets and hypermarkets, or whole business chains (Figure 9).

There is a big number of wholesaler and distributors operating on the Czech market of confections, among them:

- Belvec s.r.o.
- Asena s.r.o.
- Gold Stella spol. s.r.o.
- Gareno s.r.o.
- Bornet spol. s.r.o.
- Importex Plzen s.r.o.
- Allmond s.r.o.
- Bohemia-Kent spol. s.r.o.
- Windsor Chocolates
- Arko-cz s.r.o.
- Zamaco s.r.o.
- Chocoland s.r.o.
- Dursun Ali Genc
- F&V Café spol. s.r.o.
- Clip s.r.o.
- Entrée s.r.o.
- Mabico s.r.o.
- Marketing Systems International spol. s.r.o.
- Onimex-Moravia s.r.o.
- Winkelmann s.r.o.
- Kaumy s.r.o.
- Sodko a.s.
- Teximpex s.r.o.
- Wissa spol. s.r.o.
- Molla s.r.o.

Out of this list of wholesalers Winkelman, Molla, Kaumy and Wissa are considered to be the most reliable. Some of them provide logistic service including transport from abroad, market research, advertising activities, packaging, etc. It is recommended to co-operate with a wholesaler which specializes also in the type of product that Roshen offers. For instance, Kaumy has a dealer network of more than 10000 retailers including gift shops, restaurants, petrol stations, kiosks, and pharmacies. Wissa supplies chocolate and non-chocolate confections, cookies and biscuits. It works with around 20 suppliers from Germany, Hungary, Slovakia, and Czech Republic, and supplies confectionaries to Ahold, Makro, Penny, Tesco, Billa, Spar, Globus, Coop centrum/Morava, Plus, petrol stations, pharmacies.

Some of the retailers on the Czech market which are specialized on importing and selling of chocolate candies are Koruna Pralines s.r.o. and Jamira (Radomir Sykora). The retail chain can also include hotels, restaurants, kiosks, school cafeterias, gas stations, etc.

The number of supermarkets and hypermarkets is rapidly growing in Czech Republic keeping the position of the most common place for grocery among Czech customers. Although hypermarkets and supermarkets work only with large producers, they are enlarging their offers. In fact, hyper/supermarkets are cheaper than retailers. Some of the biggest players of the distribution chain in Czech Republic are presented in the Table 22.

Table 22: Business chains in the Czech Republic (own source)

Order	Company	Turnover (bil. EUR)	Market share, %	Dealers' network
1	SCHWARZ ČR	3	13.1	Kaufland (112), Lidl (229)
2	REWE ČR	2.6	11.9	Penny market (142), Billa (200), Teppich Frick (6)
3	Ahold Czech Republic, a.s.	2.5	12.1	Albert (296)
4	Tesco Stores ČR, s.r.o.	2.5	10.4	Tesco (169)
5	Makro Cash&Carry ČR, s.r.o.	2.2	15.5	Makro (15)
6	Globus ČR, k.s.	1.7	8.9	Globus (15), Baumarkt Clobus (10)
7	Spar ČR	1.3	5.9	Interspar (50)

According to the table 22, the biggest market shares are taken by Makro, Schwarz (Kaufland and Lidl) and Ahold (Albert) which are accounted for 15.5%, 13.1% and 12.1% correspondingly.

It is recommended to cooperate with Winkelmann s.r.o. since the company is a distributor of the same type of confections as Roshen offers and it is considered as one of the most reliable and largest distributors on the market. In addition, company provides the service of transportation.

One of the Incoterms that can be chosen upon the agreement on goods transportation is CIP (carriage and insurance are paid to the named place of destination). This Incoterm can be applied for any mode of transport, and allow to share the costs and responsibilities (insurance) between the buyer and seller in the way that wholesaler will have to take care of products, for example, only on the territory of Czech Republic, where Ukrainian company has no access or influence. This also gives more control over conditions of product transportation to producer on the territory of Ukraine.

7.2.3.1 Physical access and logistics

There are four ways of transportation in the Czech Republic:

1. Road transport
2. Rail transport
3. Air transport
4. River transport

For year 2011 the total length of motorways was accounted for 55,751.9 km, including 733.9 km of motorways, 422.3 km of expressways, 5,832.3 km of class 1 roads, 14,634.8 km of class 2 roads, and 34,128.6 km of class 3 roads. According to the report on roads and motorways in the Czech Republic, the density of roads is 0.7 km per 1 km^2 which makes Czech Republic one of the leading countries in Europe in terms of transport connections (Roads and motorways in the Czech Republic, 2011).

Figure 10: European road network in the Czech Republic (Roads and motorways in the Czech Republic, 2011)

The air transport is on the second place after road transport by usage for goods transportation. There are 91 airports in the Czech Republic (Table 23).

Table 23: Air transport infrastructure (Transport Yearbook, 2012)

	2010	**2011**	**2012**
Total number of airports	*91*	*91*	*91*
of which:			
Public international airport	7	6	6
Public domestic airport	57	58	59
Private international airport	6	5	5
Private domestic airport	12	15	14
Public domestic and private international airport	9	7	7

There were 1,894 thousand tonnes of food products imported to the Czech Republic by road transport, 111 thousand tonnes by railway transport, and no waterways were used for food transportation (Transport Yearbook, 2012).

Taking into account the territorial proximity of Ukraine to Czech Republic the usage of road transport, tracks in particular, will be optimal.

Potential carriers which provide also storage, logistic, and custom services are listed below:

- White trans
- Esa logistika
- M+L Logistik
- Otec International
- Schenker
- VPS Logistics
- M-line
- Priority
- C.D.O. Prague, s.r.o.
- Czech International
- Dymofracht
- DSV Global Transport and Logistics
- Geis Global Logistics
- O. K. Trans Praha

The providers of custom warehouses which are situated nearby Prague are listed below:

- Adico Sklady Logistika
- Gold Service Spedition
- Spedman Global logistics
- S&V Stock
- Servant

- A1 Transport and Logistics
- Canton CS

It is recommended to co-operate with logistic company "White trans" since it has a significant experience in transportation including international transportation, it provides also the storage facilities in Prague and it has a good reputation on the market according to feedback from their customers.

7.2.4 Promotion

According to Kotler (2005), the advertising plan should be started form setting the objective which is based on specifics of target audience and the primary aim of the company on the market.

In case of corporation Roshen, the advertising campaign should be first of all informative because the company is entering a new market and want to raise the awareness and form a primary demand. This includes:

- telling the market about the product, its features, uniqueness, etc.;
- telling market about the price, discounts, special offers;
- building the brand;
- correcting false perception.

Later company can continue with more persuasive type of advertising which means:

- building brand loyalty;
- encouraging to switch to the brand Roshen;
- changing customer's perception of the product;
- conducting comparative advertising.

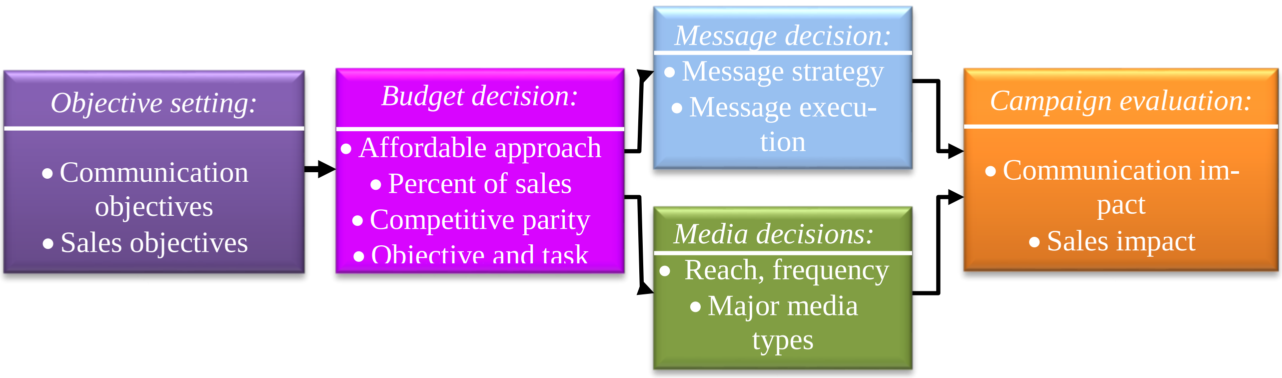

Figure 11: Major advertising decisions (Kotler, 2005)

In order to establish business relations, promote the product and the brand, and learn more about the foreign market it is recommended to participate in exhibitions. Such events provide the opportunity to meet other producers, distributors, representative of state administration, professional associations, and customers; find out more about technologies and equipment, etc. The largest fair in food and confectionary industries which take place in the Czech Republic is SALIMA. According to the information from the web-page SALIMA, under the SALIMA fair trade banner concurrently take place such fairs as MBK (International Milling Industry, Bakery and Confectionery Fair), INTECO (International Fair of Equipment for Retail Trade, Hotels and Catering Facilities), VINEX (International Vine Fair), EMBAX (International Trade Fair for Packaging and Packaging Technologies) and PRINTexpo (International Trade Fair for Printing Technologies, Signmaking and Signage). Last SALIMA fair trade took place on 25-28.02.2014 in Brno. The statistical data from the fair trade from 2012 is presented in the Table 24.

Table 24: Statistical data from SALIMA fair trade, 2012

Data	**Quantity**
Number of Czech companies	353
Number of foreign companies	326
Number of represented countries	40
Number of visitors	27615
Number of media representatives	227
Exhibition space, m^2	7285

The types of media that is appropriate to use for promotion of confection Roshen are as following:

1. Media advertising:

- TV (commercial with a famous Czech singer on “TV Nova”)
- Radio (announcement on “Europa 2”)
- Newspapers (printed advertising about the brand and products in “Dnes”)

2. Online advertising:

- Social networks (Twitter, Youtube, Facebook)
- Viral marketing campaign
- Mobile advertising

3. Place advertising:

- Billboards and bulletins
- Posters
- External store signs
- In-store shelf signs
- Shopping-cart ads
- In-store radio and TV

4. Consumer-oriented promotions:

- discounts
- free samples
- promotional on-line games

At the first stages of market penetration, the expenditures for advertisement are expected to be significant due to necessity to attract and raise the awareness among Czech consumers about the brand. The biggest share of promotional spending belongs to media advertising as it's the most expensive mean of promotion among all other.

7.3 Time Analysis through the Application of Program Evaluation and Review Technique

One of the characteristics of a successful project is proper scheduling. It helps to organise all necessary tasks in such way that guarantees higher level of execution and makes it easier to monitor, control project activities and achieve the goal. The schedule has to be reviewed regularly due to the uncertainty condition and can be revised even after the beginning of the project.

Time analysis of the project is conducted with a help of Program Evaluation and Review Technique (PERT) that is a statistical tool used in project management for assessing time required to compete each activity as well as the whole project.

Duration of the project activities is guesstimated with the most probable approximation based on previous projects and subjective anticipation. The steps A-P stated in Table 25 constitute the project of penetration to Czech market.

Table 25: Activity Plan of Czech Market Penetration (own source)

Step	Description
A	Decision on the penetration project
B	Analyse the confectionery market in the Czech Republic
C	Evaluate the product’s business potential (investments, costs, pricing)
D	Confirm the compliance of standards and quality with Czech norms
E	Product adaptation
F	Examine possible alternatives
G	Visit confectionery/food fair and trade shows
H	Contact potential clients (wholesalers)
I	Arrange and conduct meetings with potential clients in Czech Republic
J	Establish logistics agreements
K	Prepare and sign contracts
L	Preparation of necessary documents for export
M	Create promotional materials for Czech market
N	Perform promotional activities in Czech Republic
O	Evaluate success of advertising campaigns and demand
P	Generate sales call to the chosen clients
Q	Supply corresponding products

Nowadays there are plenty of applications for working with project scheduling. The most popular among them include Microsoft Project, Googledocs, Concept Draw Project, Eclipse PPM software, Endeavour software Project Management, WorkPLAN Enterprise, etc. Calculations for the current project are done in open source software – WinQSB, PERT-CPM Module.

The following Table 26 represents the duration of project activities, sequencing, and three probable scenarios (optimistic, most likely, and pessimistic).

Table 26: Project Activities Duration (own source, WinQSB)

Activity Number	Activity Name	Immediate Predecessor (list number/name, separated by ',')	Optimistic time (a)	Most likely time (m)	Pessimistic time (b)
1	A		1	1	3
2	B	A	25	30	35
3	C	B	4	5	7
4	D	A	5	7	9
5	E	B,C,D	16	20	25
6	F	A	4	5	7
7	G	B,E	7	7	14
8	H	F,G	3	4	7
9	I	H	15	20	30
10	J	I	5	6	10
11	K	J	3	4	7
12	L	K	5	8	12
13	M	B	50	60	70
14	N	M	25	30	45
15	O	N	5	6	7
16	P	L	1	1	1
17	Q	O,P	4	5	7

From table 26 it is seen that the management of the company has to make decision whether to penetrate Czech market or not. In case of a positive decision, it should be followed by analysis of the confectionery market in Czech Republic, confirmation of standards and quality compliance, and examination of possible alternatives. The next steps include the evaluation of products' business potential and promotional campaign (creation of promotional materials, visiting confectionery/food fair and trade shows, performing the rest of the promotional activities). Meanwhile, it is planned to contact potential clients (wholesalers), meet with them, establish logistics agreements, prepare and sign contracts. Evaluation of the advertising campaign, final arrangements for export and supply of the corresponding products constitute the conclusive phase of the project.

The next step of the analysis is to determine the duration of the project and the critical path. Kelley (1961) defined critical path as the longest continuous pathway starting from the first event to the final one within the shortest possible time. Moreover, this analysis also reveals possible delays of specific activities not affecting the total duration of the project that give more flexibility to managers.

The results of the critical path computations performed in WinQSB application are provided in the Table 27.

Table 27: Total project duration (own source WinQSB)

04-28-2014	Critical Path 1
1	A
2	B
3	M
4	N
5	O
6	Q
Completion Time	134,17
Std. Dev.	5,05

According to the table above, the project completion time is around 134 days. Critical project activities are A, B, M, N, O, and Q. Any delays of activities from the critical path will delay the project completion minimum by the length of such delay.

Graphical solution can be presented in a form of a network diagram (Figure 12).

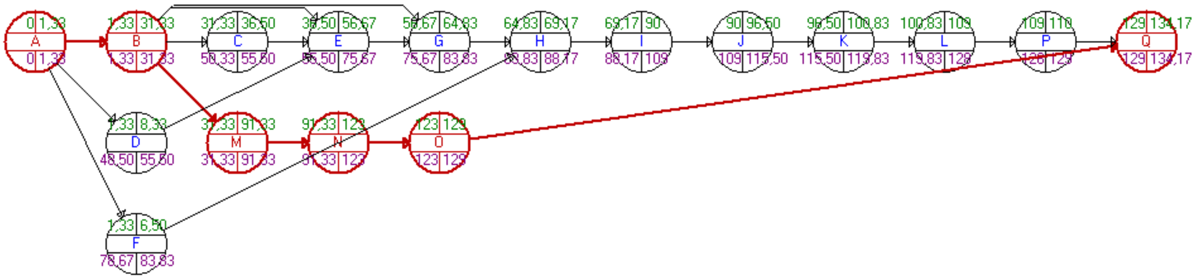

Figure 12: Graphical Solution (own source, WinQSB)

The conducted PERT analysis identified the only possible critical path. In addition, a detailed solution and Gantt chart representing the project completion can be found in the Appendix VI and Appendix VII respectively.

7.4 Cost Analysis

Majority of projects incorporate costs, so it is required to prepare a thorough and exhaustive list of the anticipated expenses related to the project activities. There are different ways of doing it. One of such ways is to investigate similar projects to determine a structure and amount of the future expenses. This method is also used for the cost analysis of Czech market penetration project.

The project will require financial investment that is why it is important to estimate the related expenses, which should be approved by the Financial Department of Roshen. Approximate assessment of the potential costs of the project is given in the Table 28.

Table 28: Costs allocation (own source)

Description	Euro
Analyse the confectionery market in the Czech Republic:	**1000**
- *Expenses related to data acquisition*	*1000*
Product adaptation	**10500**
- *Package development*	*10000*
- *Translation*	*500*
Visit confectionery/food fair and trade shows	**14750**
- *Visa*	*150*
- *Registration fee*	*3000*
- *Space and stand equipment*	*1500*
- *Promotional materials*	*5000*
- *Transportation*	*1600*
- *Accommodation*	*1500*
- *Food*	*500*
- *Per diem*	*1500*
Arrange and conduct meetings with potential clients in Czech Republic	**5350**
- *Visa*	*150*
- *Transportation*	*1600*
- *Accommodation*	*1500*
- *Food*	*500*
- *Per diem*	*1500*
Preparation of necessary documents for export	**200**
Create promotional materials and perform the campaign on Czech market	**2000000**
- *Media advertising*	*1000000*
- *Online advertising*	*300000*
- *Place advertising*	*100000*
- *Consumer-oriented promotion*	*600000*
Supply corresponding products (3 trucks, 20 tones each)	**565555**
Products cost	*555555*
Transportation costs	*10000*
Overheads and unexpected expenses	**100000**
TOTAL:	**2697355**

The total expected expenses for the project are around EUR 2.7 mill. The most expensive part is promotion which is accounting for approximately EUR 2 mill and covers expenses for consumer-oriented promotion, media, online, and place advertising. The rest of the costs are considerably lower. However, supply of the corresponding products will cost around EUR 5.6 mill. It has been decided that the first delivery of Roshen products will be only sixty tones transported by three trucks. The further decisions will be made upon the evaluation of this experimental supply. The penetration project will be financed by Roshen internal funds and partly by the contractual manufacturer Bonbonetti Group.

7.5 Risk analysis

In most cases, business environment is associated with uncertainty and risks that may arise. It is highly important to analyze potential risks and think of ways how to mitigate them in order to avoid extra costs or obstacles. Understanding risks should allow Roshen management make better decisions and increases the probability of a successful project completion while decreasing chances to overrun the budget. Potentials risks of the current project can be divided into:

1. Project management risks:
   a. Lack of communication among team members can directly affect progress of the project.
      Mitigation: A special collaborative platform can be established using some web based software. It would remind and enable project members to keep in touch and share the information.
   b. Late deliveries of goods due to delays at the border.
      Mitigation: There are different places for crossing the border with various capacities and waiting times depending on the time. All possible option should be analyzed and the best ones chosen for the operations. Apart from that, some optional ways have to be planned too.
   c. Unsuccessful brand positioning.
      Mitigation: Promotional campaign has to be planned and executed at a highest possible level to achieve sufficient results.
2. Organisational risks:
   a. Turnover of employees working on the project can immediately affect the project activities if the employee is a member of the project.
      Mitigation: human resource manager has to act so that to avoid such situations, be ready to negotiate with the employee or find a suitable person as a substitution.

3. External risks:
    a. Political, policy, and social risks. Actions of public authorities might affect Roshen activities in a discrimination way. This involves legitimate actions of authorities that might use their power to set unnecessary rules and standards. Project can also be affected by the actions of local individuals or groups having negative attitude to the brand or the county of origin. Last, but not least is the current political instability in Ukraine. It might stop foreign companies from cooperation with Roshen.
    Mitigation: it is necessary to negotiate on every rule and condition of doing business in Czech Republic before the beginning of the project to avoid conflicts. Later it is important to stick to the agreements and thus create or improve the company's image.
    b. Financial risks: security market risk and interest rate risks. Due to the economic instability in Ukraine, the local currency has considerable lost its value. As far as the project is planned to be financed with the national currency, it may lead to insufficient funds for the project.
    c. Environmental risks. Risks related to the surrounding environment and natural forces. One of such situations occurred last year – floods that paralyzed infrastructure in Czech Republic.
    Mitigation: it is hard to find ways of mitigating such kind of risks, but the company has to consider it and consult with Czech partners who had such experience.
    d. Low demand for the products. Due to low level of brand awareness in Czech Republic, sales might be not enough intense.
    Mitigation: Project addresses this issue via the promotional campaign.

These are the risks that are visible at the initial planning stage of the project. However, more risks might appear when the project begins. To tackle them, management of Roshen will conduct repetitive monitoring processes.

CONCLUSION

This project was focused on the overview of the Czech confectionary market in order to identify the opportunities and barriers for the Ukrainian corporation Roshen to expand its business to the Czech Republic. The market research revealed that Czech confectionary market has a potential to grow and it is dominated by several large players like Nestle, Mondelez and Mars. According to Porter's five forces analysis, market is attractive and profitable, though with concentrated competition. Hence, a new company must apply its competitive strengths and conduct an intensive advertising programme in order to attract customers and acquire a market share. Roshen Corporation can take a niche on the market by offering confections from its portfolio which are novelty products for the Czech market.

Moreover, there was also developed a marketing strategy in the project on how to penetrate the Czech market. The strategy includes detailed description of product, price, place and promotional activities that the company is recommended to undertake.

First of all, the company has to position its product properly which means avoiding negative country-of –origin effect; adapt product packaging according to the target segment in order to fit the existing buying habits. Also, Roshen has to be aware of price-sensitivity of Czech consumers and offer the attractive price taking into account all additional costs related to start of the business abroad.

A number of ways to penetrate the market were considered as options including establishing own subsidiary company, exporting, joint venture and others. For company Roshen the best way to enter the market would be direct export through a large wholesaler since the Ukrainian confection producer is lacking knowledge of the market and has to identify a real demand of the offering product before taking a decision on penetrating market more broadly. The next step could be the establishment of the own-label shop which would help to distinct the brand and the product from competitors and position the product in a more attractive way for the customers.

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LIST OF ABBREVIATIONS

WTO	World Trade Organization
NAFTA	North American Free Trade Agreement
MERCOSUR	Southern Cone Common Market
EU	European Union
GDP	Gross Domestic Product
GNI	Gross National Income
BRIC	Brazil, Russia, India, and China (regarded in terms of their fast-growing economies)
R&D	Research & Development
IMC	Integrated Marketing Communication
OECD	Organization for Economic Cooperation and Development
VAT	Value Added Tax
GE	General Electric
ROE	Return on Equity
ROI	Return on Investments
ISO	International Standards Organization
GMO	Genetically Modified Object
EFSA	European Food Safety Authority
PVC	Polyvinyl Chloride

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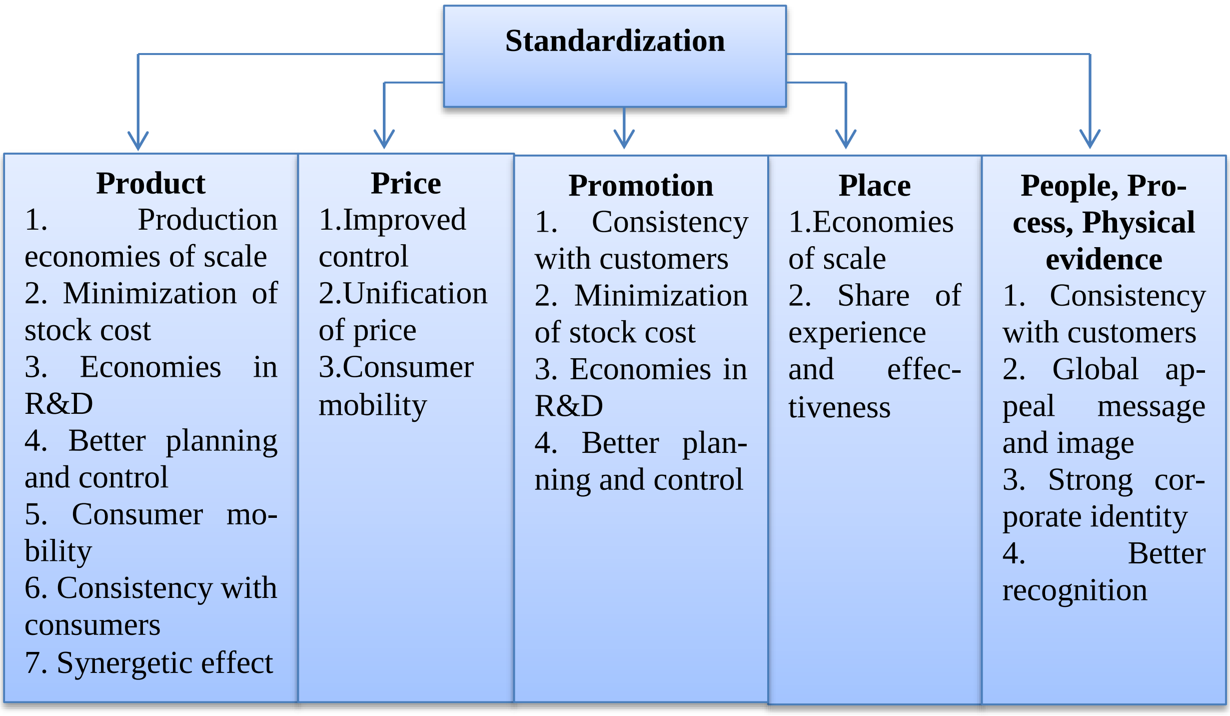
APPENDIX I: ISSUES TO CONSIDER IN A GLOBAL MARKETING ENVIRONMENT (SHARP, 2013)

Factors	Description
Markets	Might be completely different or with some similarities across countries.
Data	Although primary data is more reliable, sometimes it is expensive and difficult to obtain, while some trust issue is involved with secondary data.
Competition	The number of the companies operating in the same market and the rules of competition are of high importance.
Political system	Political system directly relate to risk, which is important constraint because it may bring changes in regulations of international companies in the country.
Economy	Such indicators as GDP, exchange rates, growth of population, the degree of economic freedom are very important factors for international business.
Socio-cultural environment	Customers buying behaviour and perception of the products are driven by cultural norms, values, believes, customs, etc.
Technology	Technology has dramatic impact on global market, as many models are not equally applied everywhere.
Legal issues	Laws concerning competitive behaviour and certain practices are largely different in each market, and companies should comply with it.
Environment	The importance of environmental issues is increasing every year, but the definition of “environmentally friendly” practices varies in different countries.

APPENDIX II: Arguments in favour of standardization (Vrontis, Thrassou, 2007)



APPENDIX III: Arguments in favour of adaptation (Vrontis, Thrassou, 2007)

Adaptation

Product	Price	Place	Promotion	People, Process, Physical evidence
1. Suit differences of consumer needs, culture, perception, beliefs, etc. 2. Meet PESTLE differences 3. Satisfy required standards 4. Cope with local competition 5. Meet differences at the stage of development	1. Meet legal and political restrictions 2. Meet exchange rate fluctuations 3. Market demand rate	1. Meet different consumer behavior patterns 2. Suit differences in environment 3.Differences in distribution patterns 4. Differences in logistics choices 5. Market size requirements	1. Meet dissimilarity of buying motives 2. Meet PESTLE differences 3. Meet differences in media 4. Suit consumer differences in taste	1. Allow flexibility in suiting different consumer needs and wants 2. Motivate employees

APPENDIX IV: ADVANTAGES AND DISADVANTAGES OF BRANDING STRATEGIES (Bennett, Blythe, 2002)

Branding strategies	Advantages	Disadvantages
Manufacturer's own brand	Better price as a result of price inelasticity	Requires a lot of resources
	Brand loyalty	Brand promotion is necessary
	Better bargaining power	While brand is unknown, it doesn't create value
	Greater control of distribution	
Global branding	Suitable for global products	Single name may not be appropriate for every country
	Allows worldwide advertising and promotion	Cannot fit several market niches that might exist in one country
	More simple to manage	Lack of flexibility
	Similar media sources can be used	Suitable only for simple products
	Easier to make a research on key determinants of the global image	Might be prices differently in other countries because of tariffs, taxes or economic conditions.
Local branding	Link between local consumers and image of the product/service	Extra costs for legal protection of multiple brand names
	Marketing actions can be more focused in particular segments	Higher costs of promotion
	Flexible, suitable for local specifics	More complicated to manage
	Suitable for companies which operate only in several markets	Susceptible to local imitations
	Possibility of the image tailoring	

APPENDIX V: QUANTITATIVE STRATEGIC PLANNING MATRIX

Key factor	**Weight**	**SO1**		**SO2**		**SO3**		**SO4**		**SO5**	
		AS	**TAS**	**AS**	**TAS**	**AS**	**TAS**	**AS**	**TAS**	**AS**	**TAS**
S1	0.2	4	0.8	4	0.8	4	0.8	4	0.8	4	0.8
S2	0.13	4	0.52	4	0.52	3	0.39	4	0.52	4	0.52
S3	0.1	4	0.4	2	0.2	3	0.3	4	0.4	4	0.4
S4	0.1	4	0.4	4	0.4	4	0.4	4	0.4	4	0.4
S5	0.05	3	0.15	2	0.1	2	0.1	2	0.1	2	0.1
S6	0.07	3	0.21	2	0.14	2	0.14	3	0.21	4	0.28
W1	0.13	1	0.13	2	0.26	1	0.13	1	0.13	1	0.13
W2	0.07	1	0.07	1	0.07	1	0.07	1	0.07	1	0.07
W3	0.04	1	0.04	1	0.04	1	0.04	1	0.04	1	0.04
W4	0.11	1	0.11	1	0.11	1	0.11	1	0.11	1	0.11
O1	0.14	1	0.14	3	0.42	4	0.56	2	0.28	2	0.28
O2	0.13	4	0.52	3	0.39	3	0.39	4	0.52	4	0.52
O3	0.08	4	0.32	4	0.32	4	0.32	3	0.24	2	0.16
O4	0.1	4	0.4	4	0.4	4	0.4	4	0.4	4	0.4
O5	0.05	3	0.15	2	0.1	2	0.1	3	0.15	3	0.15
T1	0.11	4	0.44	3	0.33	4	0.44	4	0.44	4	0.44
T2	0.13	4	0.52	3	0.39	3	0.39	4	0.52	2	0.26
T3	0.09	4	0.36	2	0.18	3	0.27	4	0.36	4	0.36
T4	0.1	4	0.4	2	0.2	2	0.2	3	0.3	1	0.1
T5	0.07	3	0.21	3	0.21	3	0.21	2	0.14	3	0.21
STAS			6.29		5.58		5.76		6.13		5.73
Priority		**1**		**5**		**3**		**2**			**4**

APPENDIX VI: DETAILED SOLUTION OF PROJECT IN WINQSB (OWN SOURCE)

04-28-2014 11:57:47	Activity Name	On Critical Path	Activity Mean Time	Earliest Start	Earliest Finish	Latest Start	Latest Finish	Slack (LS-ES)	Activity Time Distribution	Standard Deviation
1	A	Yes	1,3333	0	1,3333	0	1,3333	0	3-Time estimate	0,3333
2	B	Yes	30	1,3333	31,3333	1,3333	31,3333	0	3-Time estimate	1,6667
3	C	no	5,1667	31,3333	36,5	50,3333	55,5	19	3-Time estimate	0,5
4	D	no	7	1,3333	8,3333	48,5	55,5	47,1667	3-Time estimate	0,6667
5	E	no	20,1667	36,5	56,6667	55,5	75,6667	19	3-Time estimate	1,5
6	F	no	5,1667	1,3333	6,5	78,6667	83,8333	77,3333	3-Time estimate	0,5
7	G	no	8,1667	56,6667	64,8333	75,6667	83,8333	19	3-Time estimate	1,1667
8	H	no	4,3333	64,8333	69,1667	83,8333	88,1667	19	3-Time estimate	0,6667
9	I	no	20,8333	69,1667	90	88,1667	109	19	3-Time estimate	2,5
10	J	no	6,5	90	96,5	109	115,5	19	3-Time estimate	0,8333
11	K	no	4,3333	96,5	100,8333	115,5	119,8333	19	3-Time estimate	0,6667
12	L	no	8,1667	100,8333	109	119,8333	128	19	3-Time estimate	1,1667
13	M	Yes	60	31,3333	91,3333	31,3333	91,3333	0	3-Time estimate	3,3333
14	N	Yes	31,6667	91,3333	123	91,3333	123	0	3-Time estimate	3,3333
15	O	Yes	6	123	129	123	129	0	3-Time estimate	0,3333
16	P	no	1	109	110	128	129	19	3-Time estimate	0
17	Q	Yes	5,1667	129	134,1667	129	134,1667	0	3-Time estimate	0,5
	Project	Completion	Time	=	134,17	days				
	Number of	Critical	Path(s)	=	1					

APPENDIX VII: GANTT CHART (OWNS SOURCE, WINQSB)