



WAYS TO INCREASE COMPETITIVENESS OF AN ENTERPRISE ON THE EXAMPLE OF ACTIVITY OF NESTLÉ IN UKRAINE

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Abstract. The current situation clearly shows the economic and logistic development of the world that gives companies the opportunity to enter the new fast-growing markets. However, this situation increases the competitive pressure. So, if companies want to survive under the circumstances of global competitiveness, they face the task of increasing their competitiveness. According to some scientists, competitiveness is the potential, opportunities and ability of a market participant to withstand competition, that is, competition from the other entities operating in the same industry in the market. In this situation an important role play such factors, as price, level of development, location, level of services and quality. There are two approaches to the evaluation of company competitiveness level – market approach and resource approach. An important way of increasing a company competitiveness level is the internationalization of its activity, that is its entrance into foreign markets. In such a situation there appears the concentration of activity and the taking over of a larger part of a market. The essence of the notion “competitiveness” was examined in the article. The essentially new scheme of internationalization was presented. The scheme of indirect distribution channel was proposed. The practical experience of internationalization activity was analyzed.

Key words: market economy, competitiveness, internationalization, enterprise, price competitiveness, non-price competitiveness, international markets

INTRODUCTION

The current situation clearly shows the economic and logistic development of the world that gives companies the opportunity to enter the new fast-growing markets. This situation increases the competitive pressure. The increase of competitiveness level is one of the main factors of dynamic development of every country. So, if companies want to survive under the circumstances of global competitiveness, they face the task of increasing their competitiveness. Thanks to the integration of Ukraine into the global processes, the increase of the competitiveness level of domestic enterprises on foreign markets becomes more and more important. One of the ways to build a strong enterprise which could have a chance to expand into foreign markets is to promote the enterprise's development on the said markets. The expansion requires adequate resources which are not always available for small and medium companies. That's why the main goal is to create and develop dynamic, flexible and efficient enterprises of different sizes and areas of activity that could produce products and services of high quality while providing new jobs. An important way to achieve these goals is internationalization of activity. And as a result the concentration of activity of an enterprise. The result of it is the increase of an enterprise level of competitiveness and the taking over of bigger part of the market.

OBJECTIVES AND METHODS

The purposes of this article are: (1) to consider the essence of the concept "competitiveness"; (2) to present an essentially new scheme of internationalization; (3) to propose a scheme of indirect distribution channel; (4) to analyze the practical experience of activity internationalization and concentration.

The following scientific methods were used in the article – critical analysis, observation method, the case study method, statistical method and others.

RESULTS

Our reality is characterized by uncertainty in the global economy and constant changes in the balance of economic activity as in the countries with developed economy so in those with the developing one. Without paying attention at the permanent government spending, whose goal is to stop the regression, the development level of the countries with developed economies can be defined as minimum because of such problems as unemployment and low demand. In addition, the economies of the countries develop at different speed and in some of them there is a risk of repetitive slowdown. The list of problems was also added by debts of



some countries-member of the EU as well as the instability of the financial markets [Schwab 2011].

Nowadays situation shows us how important it is to develop new strategies of economy returning to the stable state. At the same time the countries with the developing economies returned to the healthy grow while the economies of developed countries face the following problems – the rise of unemployment, weak demand, debts and the necessity to conduct reforms on the financial and labour markets.

Let's consider what the notion "competitiveness" means. According to some scientists, competitiveness is the way an enterprise can realize its products and services at the national and international markets with the best benefit possible. Here such factors as price, development, location, research, service and quality play an important role. And competition is the rivalry of the market participants for resources, customers, market sectors and so on. As soon as a provider suggests a customer better goods or services at lower prices competition takes place. There are many types of competition but the most important ones, to our mind, are price, service or design competitiveness. Not only outside competition pressure but also inside forces lead to the development of competitive advantages if compared with the competitors, that is – to competitiveness.

Let's take, for example, price competitiveness. We can say that an enterprise is price competitive if it can market its products or/and services for prices that cover productive costs and bring yield to the invested capital. Price competitiveness is especially important at the markets where standardized goods are sold. Trade enterprises increase their competitiveness through differentiated margins.

Such types of non-price competitiveness as quality, service, design and others are also very important for products and services selling. This type of competitiveness is especially important at the markets where different kinds and variations of the products are sold [Kiforenko 2012, p. 121].

In practice competitiveness is a company's capability to achieve competitive advantage over the entities acting in the same market sphere [Encyklopedia zarządzania]. It may occur in the following forms:

- as the ability to offer lower prices, higher quality or other attractive features of the product than those of competitors;
- as the ability to maintain and enlarge ones market share;
- as the ability to improve internal effectiveness of an enterprise functioning;
- as the ability to effectively carry out the defined purposes at a market.

While researching the notion of competitiveness of an enterprise it should be decided what problem is to be paid special attention to:

- the competitive position of an enterprise (the place at the market on the background of competitors);
- the competitive potential of an enterprise (the means of competing the competitors);



- the competitive strategy of an enterprise (the means with the help of which companies compete with their competitors).

The competitive position of an enterprise, according to the author, should be understood as a function of an enterprise in the definite sector of economy or as an enterprise's chance for the development if compared with its competitors. A competitive position gives us information about how an enterprise uses its resources, skills and abilities in order to satisfy the customers' needs and to struggle with its competitors. The competitive strategy means the main sources of competitive advantages of an enterprise which are based on a deep analysis of an enterprise and external factors to achieve its goals.

From the practical point of view it is important to know and understand what conditions and factors influence the competitiveness level of an enterprise. There are two approaches to the evaluation of the competitiveness level of an enterprise. The first one, the so-called market approach, seeks the sources of success in the ability of an enterprise to adjust to the external conditions analyzing its market share and clients' loyalty. The second one, the so-called resource-based approach, evaluates the success possibilities the enterprise itself possesses. The resource-based approach is about how well an enterprise can select suitable resources and how effective it can use them.

INTERNATIONALIZATION – AN IMPORTANT WAY TO INCREASE THE COMPETITIVENESS OF AN ENTERPRISE

The important way to increase the competitiveness of an enterprise is the internationalization of its activity, that is – the company's entry onto foreign markets. One of the most important problems is to appropriately use all the possibilities of functioning on the markets of foreign countries, that is -internationalization, in other words – the conduction of the economic activity at the international level. Very often the internationalization of activity is the absolute necessity for an enterprise because, as Porter noted [1990], the number of global and approaching to global sectors of economy is continually growing and will grow in the future. That requires the company's presence on the markets of other countries and the need to compete on the global level. But it should be noted that success cannot be accidental and cannot be simply predestinated. Companies have to make strategic and local decisions taking into account the interests of their shareholders, that, in turns, includes the perception of risk, the expectation of profits and the desire to increase their market share. On the other hand, the countries, whose markets the companies want to enter, have their own set of values, social and cultural patterns as well as the development of policy options [De Caldas Lima 2008].



Internationalization appears in the following forms – export, import, direct foreign investment, international subcontracts and international cooperation. According to the authors, the following types of internationalization should be added to this list – franchising, joint ventures, foreign affiliates and agencies (Figure 1).



FIGURE 1. The scheme of internationalization

Source: Authors’ own elaboration.

When an enterprise chooses the optimal form of the internationalization of its activity, it depends on different factors, the most important of which are – the type of an enterprise, products or services it produces as well as the type of the market on which the enterprise intends to enter. The entry onto the markets of other countries and the international market is possible with the help of direct and indirect distribution channels. Indirect distribution channels mean that the products are delivered to the final consumer via mediators. The scheme (Figure 2) of a typical indirect distribution channel includes a producer, a mediator-exporter, a mediator-importer, a distributor and a consumer.



FIGURE 2. Scheme of indirect distribution channel

Source: Authors’ own elaboration.

Direct distribution channel means that products move from the producer to the final consumer without any mediators. This channel type is the fastest. There are two types of direct distribution channel. The first one is export to the importer. The said type of a channel is used by the enterprises that do not know the import demand in the country of the importer. The second one is export to the enterprises accredited in the chosen country. That type of a distribution channel is used by the enterprises which have experience acting on the international markets.

NESTLÉ – THE CLASSICAL EXAMPLE OF THE ENTERPRISE ORIENTED TO THE INTERNATIONAL MARKETS

Most of the huge corporations that dominate the landscape of the world economy began their activity as small firms. In many cases the development of these companies was caused by the fact that their founders developed radically new skills and quickly acquired knowledge and information. For example, Henry Ford made the automobile an affordable consumer goods using an assembly line in its production. William Boeing used military technologies in the production of the civil aircraft. John D. Rockefeller built a global distribution system. Bill Gates created a standard computer system [Acs 2002].

It should be noted, that in the economy there are a great number of enterprises that aim at the international activity since their foundation looking for the market for their products outside their countries. The classical example of such an enterprise is the company Nestlé. This company was founded in 1860 in Switzerland by the German pharmacist Henry Nestle. The product called Milk Flour Nestlé, created by him, became so popular that the company founded by him started growing fast absorbing other companies. In 1905 there was the first and at the same time one of the largest absorptions in the company's history – Nestlé absorbed Anglo-Swiss Condensed Milk Company. And since then the company acquired factories in the United States, Great Britain, Germany, Spain and other countries. In 1907 Nestlé began to gain the market of Australia, which allowed the company to double its production. Afterwards the company opened warehouses in Singapore, Hong Kong and Mumbai (Figure 3).

Subsequent years can be called a favorable period for Nestlé which was marked by the further internationalization and diversification of the company's activity (Figure 4).

The results of the financial activity of the company Nestlé clearly indicate the success of the selected strategy aimed at internationalization and diversification of the activity. The made conclusion is confirmed by the fact that Nestlé is the world's largest company in the food industry with the turnover of 100 million CHF per year and the largest food producer in the world (Figure 5 and 6).



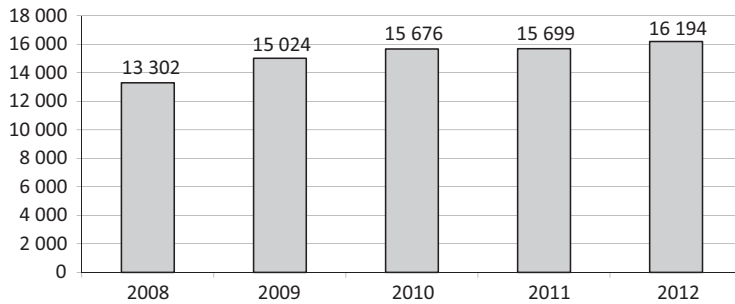


FIGURE 3. EBIT (Earnings Before Interests, Taxes, restructuring and impairments) of the company Nestlé by year [million CHF]

Source: Authors' own elaboration based on Nestlé Annual Report 2012.

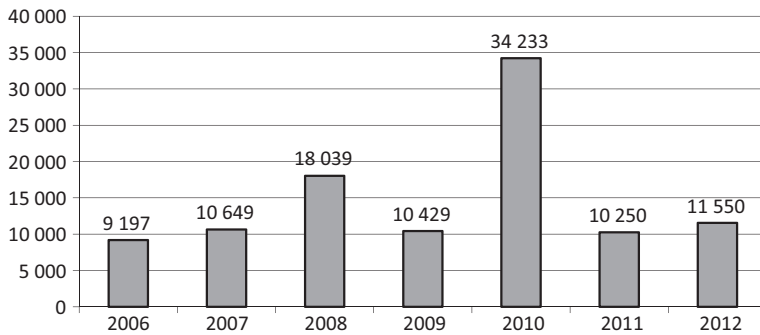


FIGURE 4. Net profit of the company Nestlé by year [million CHF]

Source: Authors' own elaboration based on Nestlé Annual Report 2012.

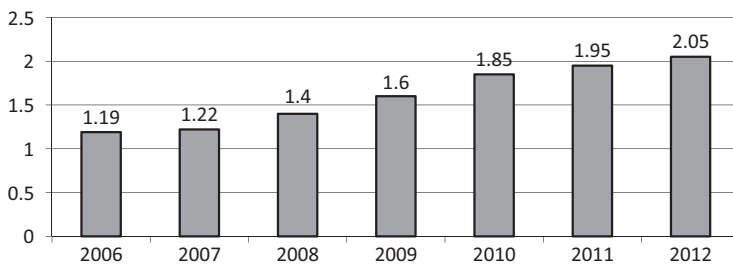


FIGURE 5. Dividend per share of Nestlé company by year [million CHF]

Source: Authors' own elaboration based on Nestlé Annual Report 2012.

Nowadays this company owns 449 factories in 83 countries. The company has 265,000 employees.

The production of Nestlé is represented on the markets of drinks, confectionery, baby food, pastries, frozen food, ice cream, ready breakfast, mineral water and pet food. In addition to food production, the company has shares of cosmetic and pharmaceutical industries.



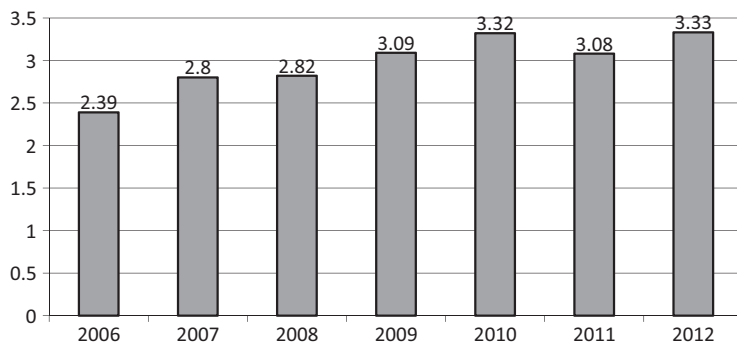


FIGURE 6. Profit per one share of the company Nestlé by year [million CHF]

Source: Authors' own elaboration based on Nestlé Annual Report 2012.

According to the specialists of Nestlé, the main competitive advantages gained by the company are unmatched product and brand portfolio, unmatched research and development capability, unmatched geographic presence and people, culture and value attitude (Figure 7).

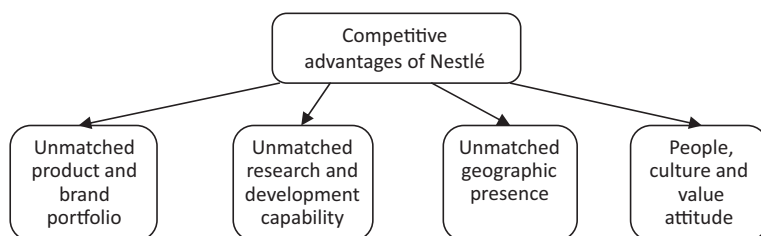


FIGURE 7. Competitive advantages of Nestlé

Source: Authors' own elaboration based on Nestlé Annual Report 2012.

When it comes to the activity of the company Nestlé in Ukraine, in December 1994 Societe pour l'Exportation des Produits Nestlé S.A. opened its representative office in Kyiv. In 1998 Nestlé bought the controlling block of shares of one of the largest confectionery manufactures in Ukraine – Lviv confectionery factory Svitoch. In May 2003 the company Nestlé Ukraina was founded in Kyiv to conduct business activity and develop distribution network. In December 2003 Nestlé bought 100% of shares of the company Wolyńtorg – a young company from Lutsk which manufactures products under the well-known trademark Torchyn Produkt.

Since then, the company is developing dynamically. In 2010 Nestlé Ukraina substantially expands its culinary portfolio by buying the company Tekhnokom, the leading Ukrainian producer of fast food under the trademark Mivina. Along with the acquisition of Tekhnokom, the most important event in the activity of

Nestlé in Ukraine was its decision about implementation in Lviv a new investment project – the creation of a new business centre Nestlé Shared Business Services Centre Europe – NBS EUR (Figure 8). This company provides Nestlé companies with different services in various countries, processes data from financial and personnel management branches. The activity of this company on the markets of Central and Eastern Europe will provide a high quality management and services to the Nestlé S.A. units in 20 countries of the region, such as Russia, Poland, Romania, Hungary, Bulgaria, Czech Republic, Greece and others. The centre in Lviv has become the third Nestlé institution in the world that combines activity in finance and personnel management in one place. It is planned to invest 25 million CHF into the development of the business centre where more than 300 professionals will work.

Nowadays about 4500 employees work in the company Nestlé in Ukraine.

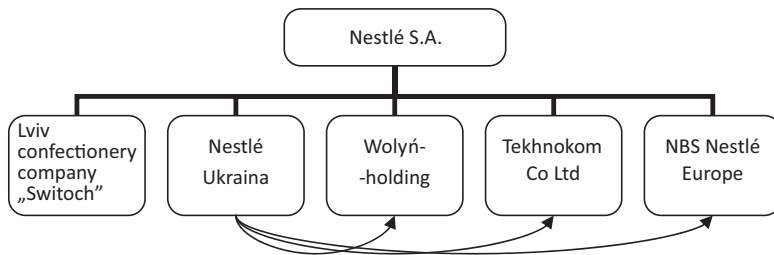


FIGURE 8. The structure of the company Nestlé Ukraine

Source: Authors' own elaboration.

In 2012 the overall scope of the sale of Nestlé in Ukraine was 4.89 billion UAH (Figure 9).

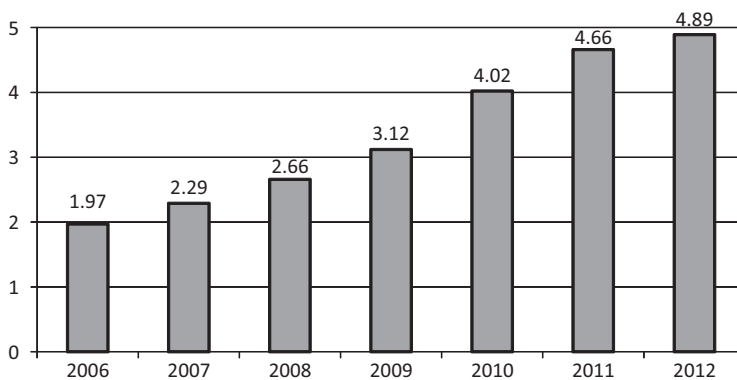


FIGURE 9. Total sales of the company Nestlé Ukraina in the Ukrainian market by year [billion UAH]

Source: Authors' own elaboration based on Nestlé Annual Report 2012.



The company is one of the largest investors into the food industry of Ukraine and one of the largest tax payers as well.

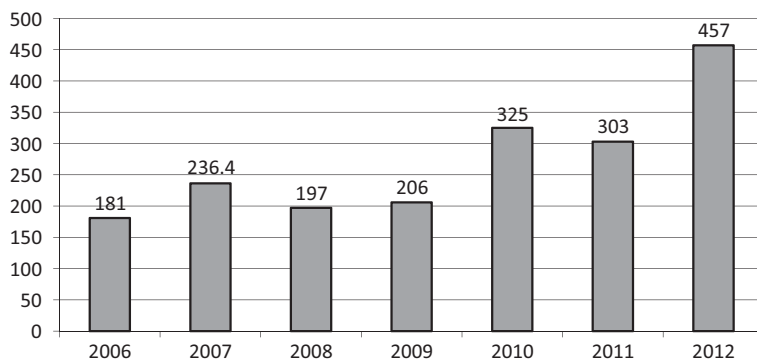


FIGURE 10. Contributions of the company Nestlé in Ukraine to all the budgets in 2006–2012 [million UAH]

Source: Authors' own elaboration based on Nestlé Annual Report 2012.

Since 2004 Nestlé S.A. invested 2.5 billion UAH into the economy of Ukraine.

The data of Figure 10 indicate that the company Nestlé again and again confirms its commitments to corporate and social responsibility remaining one of the largest taxpayers in Ukraine.

As you can see on the example of Nestlé and its unit Nestlé Ukraina, the internationalization of activity is a very profitable strategy which results are the scope of sales increase, profits increase, the gaining of new market segments and the expending of influence sphere. But we would like to draw your attention to the results of this process for the countries whose markets an enterprise enter. Among the positive factors it should be pointed out the investment into the economy, increase the number of jobs and the increase of budget revenues.

CONCLUSIONS

Competitiveness is the determinant of an enterprise development. Competition between companies is a constant feature of the market economy. Depending on the sector of economy, competitiveness occurs on different levels and in different forms. Competitiveness is the way an enterprise can realize its products and services at the national and international markets with the best benefits possible. Competition is the rivalry of the market participants for resources, customers, market sectors and so on.

The competitiveness of an enterprise includes the following components – the competitive potential of an enterprise, the competitive position of an enterprise and the competitive strategy of an enterprise.

Having learnt the experience of large foreign companies, we see a direct correlation between the internationalization of an enterprise's activity, in other words the centralization of the activity, and the increasing of its competitiveness. Large companies have such a competitive advantage as access to a bigger capital. Many large companies, Nestlé as an example, buy the factories that produce the products that can rival the Nestlé products instead of improving the quality of the products they produce. In such a case there occurs the concentration of the activity and as a result taking over more and more segments of the market.

The entry of an enterprise onto the markets of other countries, along with some negative factors, has also a lot of positive ones for the country's economic development. The most important of which are – the investment into the economy, the increase of job amount and the increase of budget revenues. Looking at the fact how many foreign companies enter the market of Ukraine, we can see a clear upward trend. If we talk about the entry of Ukrainian enterprises onto the markets of other countries, we will see that the situation is not that optimistic. Among the main problems that prevent Ukrainian enterprises from the entrance onto the markets of other countries are protection of foreign markets against interference from outside, errors of the national management and the differences in the system of standards and others.

It is not a secret that there is no universal model of effective strategy for an enterprise development, the one that would guarantee every enterprise the highest level of competitive advantages or automatic success in the market. On the other hand, if such a model existed, such a concept as the competitive advantage would disappear. Despite of that every enterprise should pay maximum attention to the study of factors and conditions that have the greatest impact on the competitiveness level of an enterprise to react to their change with the best results possible.

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SPOSOBY NA ZWIĘKSZENIE KONKURENCYJNOŚCI PRZEDSIĘBIORSTWA NA PRZYKŁADZIE DZIAŁALNOŚCI NESTLÉ NA UKRAINIE

Abstrakt. Dzisiejsza sytuacja wyraźnie wskazuje na ekonomiczny i logistyczny rozwój świata, co z kolei daje przedsiębiorstwom możliwość wejścia na nowe szybko rozwijające się rynki. Jednak ta sytuacja zwiększa nacisk konkurencyjny. Jeśli przedsiębiorstwa chcą przetrwać w warunkach konkurencji globalnej, powstaje przed nimi zadanie zwiększenia własnej konkurencyjności. Według niektórych naukowców, konkurencyjnością jest potencjał, możliwości oraz umiejętność danego podmiotu rynkowego do sprostania konkurencji, czyli rywalizacji ze strony innych podmiotów działających w tej samej branży na rynku. Ważną rolę odgrywają tutaj takie czynniki, jak cena, poziom rozwoju, lokalizacja, poziom usług i jakość. Istnieją dwa podejścia do oceny poziomu konkurencyjności przedsiębiorstwa – rynkowe i zasobowe. Ważnym sposobem zwiększenia konkurencyjności przedsiębiorstwa jest internacjonalizacja jego działalności, to znaczy wejście przedsiębiorstwa na rynki zagraniczne. W tym czasie następuje koncentracja działalności, a następnie przejmowanie przez przedsiębiorstwo większej części rynku. W artykule rozpatrzono istotę pojęcia konkurencyjności. Przedstawiono zasadniczo nowy schemat internacjonalizacji. Zaproponowano schemat pośredniego kanału dystrybucji. Przeanalizowano doświadczenie praktyczne internacjonalizacji działalności.

Słowa kluczowe: gospodarka rynkowa, konkurencyjność, internacjonalizacja, przedsiębiorstwo, konkurencyjność cenowa, konkurencyjność pozacenowa, rynki międzynarodowe