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# **A STRATEGY TO INCREASE THE COMPETITIVENESS OF AGRO-INDUSTRIAL ENTERPRISES**

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*In the monograph, the theoretical and practical aspects of developing and improving the functioning efficiency of the poultry industry enterprises have been considered. The economic essence of the investigated concepts - "competitiveness" and "strategy of competitive advantages" – has been clarified. A systematic approach to the definition of the "key competency" category is suggested, the methodology to assess the activity results has been provided.*

*A retrospective analysis of the poultry product market operation has been carried out, taking into account Ukraine-wide trends of development. The main directions to increase the operational efficiency of poultry meat processing enterprises have been suggested, in particular, the methodological grounds for creating a territorial and production cluster have been substantiated. Suggestions as for the implementation of integral efficiency indicator in the poultry production have been formulated. Prospects for the development of poultry meat processing enterprises have been outlined.*

*The monograph is meant for researchers, lecturers, masters, graduate and undergraduate students of the economic higher educational institutions; it will also be of use to practical specialists of agrarian enterprises and employees of agricultural organizations.*

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## INTRODUCTION

*The need for stabilization and development of agro-industrial enterprises, especially of the poultry processing sector, market saturation with domestic and imported goods, Ukraine's entry to the WTO as well as increased consumer requirements for quality and safety of products increase competition in the market of poultry meat. This necessitates the implementation of modern technologies into the market behavior of enterprises processing poultry meat, and the elaboration and implementation of a strategy aimed at achieving their strong competitive advantages should be an integral condition for the development of the enterprise.*

*Creation of competitive advantages is the purpose of the enterprise's strategic management, the determining factor of increasing its competitiveness. For this purpose, domestic enterprises both in domestic and foreign markets need effective tools of strategic management, which are used in the process of building a scientifically based strategy to increase their competitiveness. Its development, taking into account the operating specifics and factors ensuring competitive advantages of enterprises processing poultry meat, requires a systematic reasoning for the choice of the mechanism of its formation.*

*In literature on economics, considerable attention is given to the problems of securing the competitive advantages of enterprises. Important scientific contributions to the development of the theory and practice of competitiveness, as an element of the enterprise's strategic management, was made by well-known foreign and domestic scientists, in particular G. Azoiev, S. Anokhin, O. Arfiev, I. Bily, I. Blank, Y. Brigham, V. Vasylenko, O. Vykhansky, V. Ivanov, S. Kozlovsky, L. Kostyrko, S. Pokropyvny, M. Porter, R. Solow, A. Thompson, J. Schumpeter, A. Yudanov and others.*

*To the study of theory, methodology and formation of strategies to achieve competitive advantages, especially in agricultural enterprises in the conditions of increased competition, are devoted works by T. Akymova, V. Andriychuk, L. Berezina, I. Vinichenko, O. Honcharenko, P. Makarenko, M. Malik, L. Melnyk,*

*L. Marmul, L. Mykhailova, O. Oliynyk, P. Sabluk, O. Skydan, I. Cherven, O. Shpychak, O. Shubravska, O. Ulianchenko and others.*

*However, the issues of a systematic approach to building a strategy to increase the competitiveness of agro-industrial enterprises remain insufficiently investigated, as well as the research into its role of ensuring sustainable development of business entities, the use of internal marketing tools for the development of a company's key competencies, the development of management tools and effective ways of ensuring the effective managerial process, taking into account the specific economic activities of enterprises engaged in poultry meat processing. The above-mentioned necessitated a separate scientific research.*

**CHAPTER 1**  
**THEORETICAL AND METHODOLOGICAL**  
**FUNDAMENTAL PRINCIPLES OF THE**  
**STRATEGY TO INCREASE THE**  
**COMPETITIVENESS OF AGRO-**  
**INDUSTRIAL ENTERPRISES**

## **1.1. Strategy to increase competitiveness in the system of strategic enterprise management**

In recent years the scientific importance of determining the strategic behavior of enterprises, which allows them to retain competitive advantages in the long term, has increased. Enterprises in conditions of fierce competition and volatile competitive environment must not only focus on the internal situation, but also develop a long-term strategy that will allow the management of internal changes in accordance with the aim of activity and external realities.

In scientific researches, different approaches to the classification of enterprise strategies are proposed. The summary of existing approaches [59, 60, 72, 116, 125, 147, etc.] depending on the organizational level at which strategies are elaborated, allows us to identify four types of enterprise strategies:

- Corporate (general) strategy - defining its own way of development, which differs from other companies taking into account the available resources, skills, abilities, requirements and environmental constraints;

- Business strategy - is a strategy for securing the long-term competitive advantages of a particular strategic business unit [116];

- Functional strategies - are developed by functional departments and services of the company on the basis of corporate and business strategies (marketing, production, finance, innovation and others);

- operational strategy - the level of strategic solutions to the tasks set for a particular operational or geographical unit of a company.

As a rule, the marketing strategy is considered by foreign scientists as one of the most significant functional strategies. Most Ukrainian scientists are of the same opinion [9, 28, 73, 116, 94, 129, 164, etc.].

One of the key terms in the theory of business strategy is competitive advantage. In L. Berezina's opinion, strategic management must create competitive advantages [17]. Other scientists, especially V. Andriychuk, P. Makarenko believe that “strategic

management can be defined as the management of competitive advantages” [9, 79]. According to G. Khmel and S.K. Prakhald, “the essence of strategy is to create a future competitive advantage faster than your competitors have transformed what you are using today” [187].

Among scientists there is no unified approach as for the place of the competitiveness achievement strategy in the system of the enterprise’s strategic management. The strategy aimed at achieving, maintaining and strengthening the competitive position is defined by different notions: “competitive strategy”, “competition strategy”, “competitive struggle strategy” and “business strategy”.

Thus, M. Porter describes the competition strategy as offensive or defensive actions aimed at creating a stable state in the industry with the purpose to conquer successfully five competition factors and, therefore, guarantee the maximum return on capital investments of the company [134]. The business strategy is aimed at establishing and strengthening the long-term competitive position of the company in the market. Development of business strategy contributes to the development of competitive approaches that neutralize the competitive actions of rivals. Development of business strategy, which gives a competitive advantage, solves three tasks:

- to determine the capabilities of a company to win the competition;
- to develop individual characteristics of the offered products, which can attract the buyer and distinguish the company from others;
- to neutralize rivals’ competitive events.

In some scientific works the notions of “business” and “competitive” strategy are equated [14, 56]. Thus, for instance, in the opinion of M. Malik and O. Oliynyk: “competitive advantages, as a rule, are realized at the level of strategic business units and form the basis of business (competitive) strategy of the enterprise” [81, 127]. Most scientists are of the opinion that the competitiveness of an enterprise is achieved indirectly through the development and implementation of appropriate competitive strategies at the functional level [9, 75, 94, 129, 132, 164 and others]. According to O. Shpychak, “a competitive strategy is the company’s concept and system of actions



aimed at achieving its goal” [158]. Some authors refer to competitive strategies as the ways to achieve competitive advantages [94, p.336].

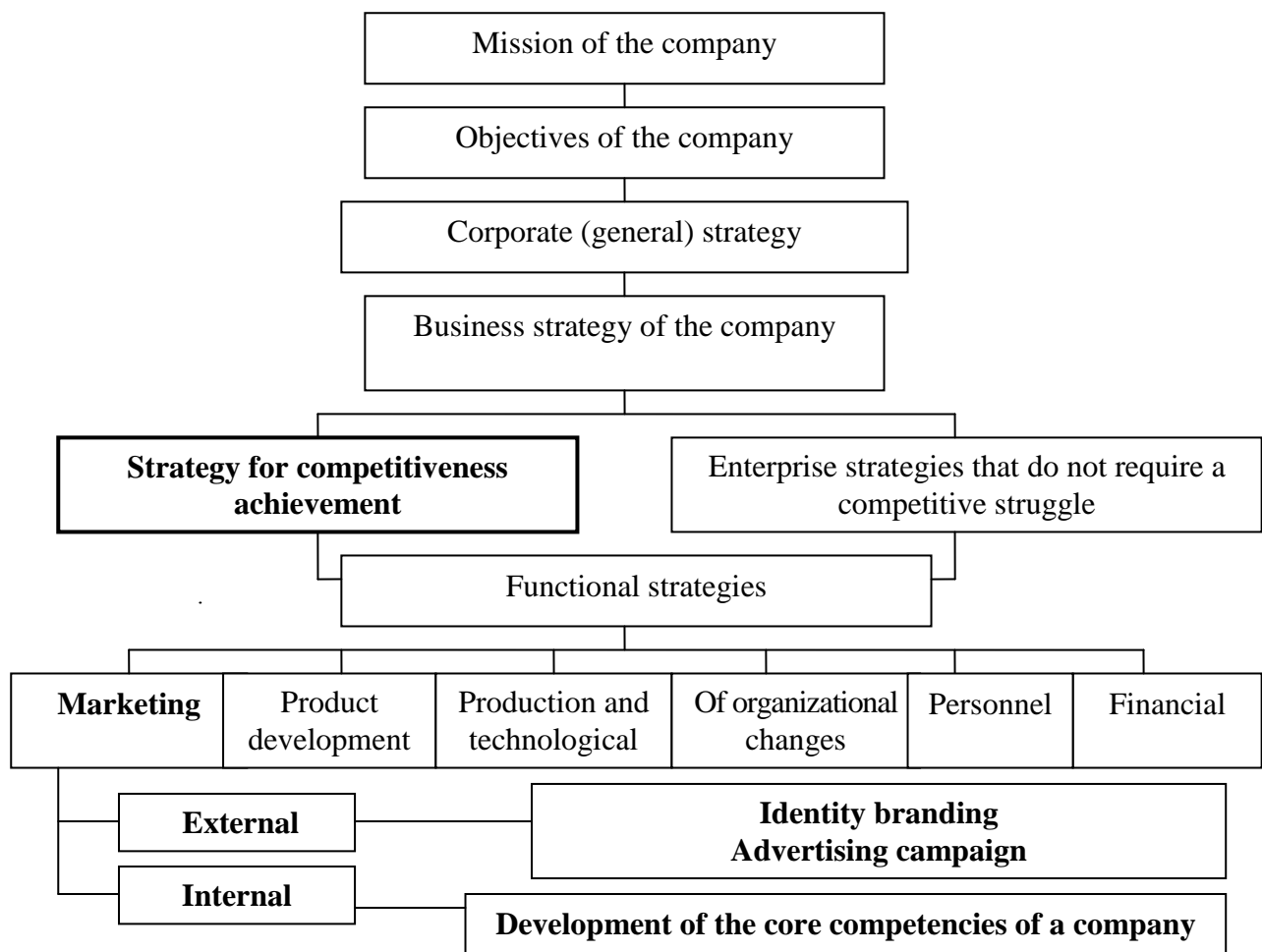
Therefore, summarizing the existing approaches, we believe that the basis of the company’s strategy at any organizational level is the creation of competitive advantages. The strategy for achieving competitiveness must be developed within the framework of business strategy. In case the company is engaged in one type of business and its business and corporate strategies coincide, that happens within the framework of the corporate (general) strategy (Fig. 1.1).

In order to increase the efficiency of the competitiveness achievement strategy, on the one hand, it is integrated into a general strategy, and on the other hand, it is formed on the basis of functional strategies. Thus, when developing and implementing a competitiveness achievement strategy, these are not only resources as well as internal and external conditions of a company’s operation that count, but also ambitious goals of its management. So, the competitiveness achievement strategy in its essence is defined by ambitions and involves the integration of analytical methods with processes and tools that provide creativity and dynamism of the enterprise management. This approach to the development of the strategy has three differences from the traditional (resource and market) one:

- Creation of the meaningful part of the strategy, that is determined by the future enterprise’s vision and ambitious goals;
- Taking into account behavioral aspects of the company's personnel and managing them in order to ensure compliance with the set goals;
- The process of managing changes is based on the balanced system of criteria for production efficiency.

The management’s focus must be shifted to the development of a strategy as a sequence of strategic decisions (choices), based on the understanding of the enterprise’s unique positions and market prospects. This cannot be done without the active participation of top managers in the development and implementation of the enterprise’s competitiveness strategy. Therefore, in our opinion, the competitiveness strategy is a purposeful set of consistent actions and measures based on the vision of

the future enterprise and ambitious management goals focused on achieving, maintaining and strengthening its competitive advantages in order to meet consumer needs and ensure dominance over competitors. The main aim of the program is to achieve, maintain and strengthen its competitive advantages in order to meet customers' needs and ensure the dominance of the company over its competitors. The aim of formation and implementation of such a strategy is to ensure strong competitive advantages over competitors in order to strengthen its market competitive position. That is why the competitiveness achievement strategy is interpreted as a competitively-oriented strategy.



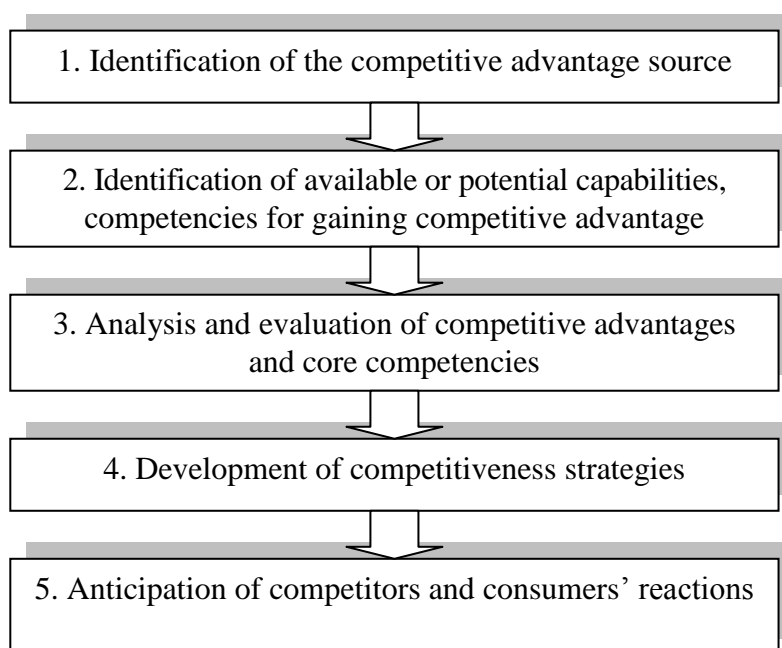
**Figure 1.1. The place of the competitiveness achievement strategy in the system of the company's strategic management**

Source: adapted [9, 75, 94, 129, 132]

When developing a competitiveness strategy of an enterprise it is necessary to take into account the system of external and internal risk factors. The conditions that affect the formation of a competitive strategy of agro-industrial enterprises are appropriate to be divided into two groups:

- Those that characterize the state of economic activity and the level of competition;
- Those that characterize the company's competitive capabilities and its market position.

The algorithm of achieving competitive advantages by the company is shown in the scheme (Fig. 1.2).



**Figure 1.2. Algorithm of the company's competitiveness development**

*Source: adapted [51, 80, 133]*

In our opinion, the most important and complicated in the process of strategy development is the stage of analysis and evaluation of competitive advantages and core competencies, because namely the results of this analysis determine the effectiveness of the developed strategy. The difficulty of this stage is due to the lack of a unified methodological approach to the analysis and evaluation of these indicators, an approach that would take into account all the specific features of the

enterprise. In the opinion of the leading expert in the field of enterprises' competition M. Porter, "the essence of the strategy development is determined by the nature of competition itself" [133], which includes not only the main participants of competition, but also goes beyond their business processes. It involves consumers, suppliers, potential market participants and manufacturers of imported products. They are all competitors and in some way influence the development and the state of competition in this sector.

In scientific literature there exist various approaches to the classification of competitive marketing strategies. The most comprehensive among them is the classification of competitive strategies found in the works of M. Porter, Ph. Kotler, A. Little and A. Yudanov (Table 1.1).

**Table 1.1. Basic classification of competitive strategies**

| Author of the classification | Classificatory feature  | Type of strategy  |
|------------------------------|---|---|
| M. Porter                    | Competitive advantage of the company on the market  | 1. Cost Leadership strategy   |
|                              |   | 2. Differentiation strategy   |
|                              |   | 3. Best Cost strategy   |
|                              |   | 4. Focused Low Cost strategy  |
|                              |   | 5. Focused Differentiation strategy   |
| Ph. Kotler                   | Competitive positions of the company and its marketing directions (part of the market belonging to the company) | 1. Market Leader strategies   |
|                              |   | 2. Market Challenger strategies   |
|                              |   | 3. Market Follower strategies   |
|                              |   | 4. Market Specialist (Nicher) strategies  |
| A. Little                    | Competitive positions of the company and its opportunities to improve them                                      | 1. Strategies of leaders  |
|                              |   | 2. Strategies of enterprises with a strong position   |
|                              |   | 3. Strategies of enterprises with a favorable position  |
|                              |   | 4. Strategies of enterprises with a satisfactory position   |
|                              |   | 5. Strategies of enterprises with an unsatisfactory position  |
| A. Yudanov                   | Focus on various economic environment conditions and various resources available                                | 1. Violent (power) strategy<br>2. Patient (niche) strategy<br>3. Commutant (adjustment) strategy<br>4. Explerent (pioneer) strategy |

Source: adapted [67, 134, 164]

Michael Porter developed the theory of advantages in competition, identifying three main sources - marketing, costs and market environment, and according to them he proposed nine basic competitive strategies aimed at achieving competitiveness by the company [133]. According to M. Porter's theory, the enterprise performs its operations on the basis of one of the advantages. However, it is possible to function successfully due to the cost reduction and differentiation, on the condition of the high management level at all stages of operation. These strategies are alternative, so when choosing a competitive strategy, the company must determine what type of competitive advantage it plans to gain and in which area.

Despite M. Porter's great contribution in the study of competitive strategies, it is also necessary to identify the disadvantages of this approach. Firstly, we believe that there are significantly more factors that influence the choice of the company's strategic behavior, these are: increasing the quality of products, price leadership, increasing the product output program, increasing the quality of service, low and optimal costs, the development of a new market, etc.

Secondly, the choice of the enterprise's strategy implies the focus on changing not one factor and the choice of not one strategy, but a dynamic combination of a lot of factors in the process of strategy generation. In this connection, we do not agree with J. Schumpeter's idea that "... the enterprise by no means must combine these strategies" [184]. For example, an enterprise can simultaneously increase the quality of products, reduce the unit costs, but not the absolute costs, increase the quality of service, acquire new markets and enlarge the production program with the simultaneous development of its core competencies.

Thus, M. Porter's theory of competitive advantages, despite its novelty and relevance, does not fully meet the modern requirements set for the management of competitive enterprises, and in the current competitive conditions of operation for Ukrainian manufacturers can be used only for analysis and preliminary strategy formation to ensure their competitiveness. Domestic enterprises face a set of problems that require the use of other approaches.

The works of marketing scientists, as a rule, consider the basic competitive strategies of M. Porter and F. Kotler with minor adjustments or additions [2, 28, 75, 116, 125, 147 and others]. Thus, A. Thompson and A. Strickland, investigating Porter's basic strategies, supplement them with offensive strategies for preserving competitive ability, defensive strategies to protect competitive advantage and the strategy of vertical integration [147]. The Russian scientist G. Azoyev supplements the three generic competitive strategies (reduction of costs; product differentiation; market segmentation) with two more types: implementation of innovations and adjustment to the specific needs of the market [3]. The works of V. Markova and S. Kuznetsov the list of basic strategies is completed, with the strategies of early market entry (first-mover strategy) and synergy [83]. Sharing F. Kotler's opinion, Golubkov also differentiates the strategies of a market leader, a market challenger, a market follower and a nicher, depending on the role of a company in the competitive struggle [33].

Such scientists as J. Day and R. Wensley in their work distinguish two basic approaches to the competitiveness formation: the customer-oriented approach and the rival-oriented approach [170]. The customer-oriented approach implies that the company achieves competitive advantages only when its products satisfy customers' needs better than products of its rivals. Therefore, this approach is a priority in terms of marketing concepts. When using this approach, the company's efforts are focused on customers' needs, also methods to increase customers' satisfaction with the company's products (product differentiation) are used. Differentiation of goods is realized through the positioning, which is carried out, first of all, due to the appropriate marketing communications set and the promotion strategy. In its turn, the rival-focused approach concentrates on the strategy and tactics against rivals. Within the framework of this approach, two ways to achieve competitive advantages are used - cost leadership and a set of activities aimed to deteriorate the quality of the competitive environment [53]. An example of the latter could be the limitation of competition via direct lobbying of interests in legislative and executive authorities, the formation of concerns, trusts, cartel agreements, etc.

The attempts to generalize the existing approaches to the classification of competitive strategies are also made in the works of Ukrainian scientists: T. Akimova, V. Andriychuk, L. Berezina, I. Vinichenko, O. Honcharenko, P. Makarenko, M. Malik, L. Melnyk, L. Marmul, L. Mykhailova, O. Oliinyk, P. Sabluk, O. Skydan, I. Cherven, O. Shpychak, O. Shubravska, O. Ulyanchenko and others [5, 8, 11, 16, 24 and others]. The great number of competitive strategies is stipulated by the richness of aspects that are used when changing or protecting the competitive position. However, the strategies' differences are very alike when considering the purpose of the company's activity in the market and types of competitive advantages, that the company is trying to achieve.

Therefore, in order to achieve advantages in market competition, it is necessary to develop a clear strategy for their implementation. The need to develop strategies prompted marketers to look for analogies in military science. According to G. Assel, studying the works of the greatest military theorists and practitioners Clausewitz, Napoleon and Moltke encouraged marketers to borrow their four principles for achieving advantages over competitors: concentration of resources; initiative overtake; resources maneuvering; adaptive planning [12].

The investigation of scientific works of representatives from different scientific marketing schools allows to complete the classification of strategies to achieve the competitive ability and to introduce some new classification features (Table 1.2). This will significantly increase the choice of strategic development directions for domestic enterprises in terms of obtaining competitive advantages and conquering a market position or the market as a whole. Practical implementation of the suggested classification will contribute to raising the level of scientific grounding of strategic decisions in the sector.

The general strategy of the company's activity is divided into the following types: the strategies of growth, stability, survival. In its turn, the growth strategy is exercised through three strategies for achieving competitive advantages:

- vertical integration - expansion of economic entities' activities into new spheres through the mechanisms of merging and absorption of suppliers or consumers;

- horizontal integration - integration of rival enterprises;
- “first mover” strategy (early market entry) - entering the market with a fundamentally new product.

The stability strategy implies maintaining the existing operational lines by means of the “low cost” leadership or differentiation (creation of unique product features), or focusing on a certain segment of the market. The survival strategy is stipulated by the action of internal or external factors. This strategy is implemented through “harvesting” - maximum income in the short term perspective; “turnaround” - withdrawal from inefficient products; “separation” - halt of unprofitable production facilities.

The research has revealed that the type of marketing strategy of manufacturing enterprises varies depending on their size, absolute and relative market share, profit level and activity segments. To the first type belong commutant enterprises, or linking enterprises, that occupy small areas of the market at the junction of various segments occupied by large enterprises. They include, first and foremost, small enterprises - social monitors. They do not develop long-term strategies for themselves and are not inclined to great changes, i.e. qualitative and quantitative growth. Commutants are actively engaged in copying the products of the leading companies - market leaders. This strategy allows for cost savings and efficient business even with a low resource potential. If the commutant enterprises pursue a strategy of symbiosis with large partners and cooperate with them in the most important areas of activity, it will allow them to achieve a further reduction of costs.



**Table 1.2. Classification of strategies for achieving competitive advantages**

| Classificatory feature   | Type of strategy   |
|--|--|
| 1. Type of general strategy:<br>- Growth<br><br>- Stability<br><br>- survival                      | - vertical integration strategy<br>- horizontal integration strategy<br>- “first mover” strategy<br>- "low cost" leadership strategy<br>- differentiation strategy<br>- a certain market segment-focused strategy<br>- "harvesting" strategy<br>- “turnaround” strategy<br>- «separation» strategy |
| 2. The economic environment’s conditions and resources availability at the disposal of the company | - commutant (adjustment) strategy<br>- patient (market niche) strategy<br>- explorant (pioneer) strategy<br>- violent (power) strategy   |
| 3. Level of activity in market operations  | - active (offensive)<br>- passive (defensive)  |
| 4. The company’s competitive position  | - market leader strategies<br>- market challenger strategies<br>- market follower strategies<br>- market nicher strategies   |
| 5. Ways to achieve competitive advantages  | - cost reduction strategy<br>- product differentiation strategy<br>- market segmentation strategy<br>- innovation implementation strategy<br>- adjustment to specific market needs strategy<br>- time advantage strategy   |
| 6. Strategy implementation period  | - short-term<br>- medium-term<br>- long-term   |
| 7. Stages of the product life cycle  | - product introduction strategy<br>- growth stage strategy<br>- market saturation strategy<br>- decline stage strategy   |
| 8. Participation of functional divisions in the strategy development process                       | - marketing strategy<br>- product development strategy<br>- production and technological strategy<br>- organizational change strategy<br>- personnel development strategy<br>- financial strategy  |
| 9. Level of competition  | - weak competition strategy<br>- intense competition strategy  |
| 10. The level of the competitive field   | - macro level strategy<br>- mezo level strategy<br>- micro level strategy  |
| 11. The strategy’s form of existence   | - implicit (reflexive) strategy<br>- explicit (well-grounded) strategy   |
| 12. Focus on the environmental factors management  | - key competencies development strategy (impact on the internal environment)<br>- identity branding strategy   |

Source: adapted [2, 28, 75, 116]

Medium- and large-sized enterprises, which are making their first steps on the market, choose the following types of strategies: patient or market niche strategy, and exploring (innovative or risk) strategy. Patienters, or “nichers”, deliberately limit their profit claims in order not to attract the attention of strong competitors to the market niche they occupy. The patient enterprise must thoroughly study its market segment in order to find the necessary “zest” that will allow it to distinguish itself from other companies.

The “pioneer” strategy is characterized by its implementation on the basis of technical and technological, organizational and scientific trends, high goals and difficult ways to achieve them, often accompanied by financial losses. The high level of risk determines the short terms of their stay on the market. Being in small market segments, small and medium-sized enterprises cannot spend a lot of effort and money in order to conduct differentiated marketing and look for new segments. In this case, they use the strategy of segmentation, based on knowledge of their customers, establishing direct links with them, on the basis of customer evaluations of the quality of products.

The specific marketing strategy is used by the largest enterprises that have significant resources at their disposal. They perform in the market the function of a kind of “press”, squeeze out active competitors from their sphere, and subordinate those enterprises that are forced to agree to play the second part and to cooperate on conditions of symbiosis. These large enterprises, called violents, are focused on mass or global sales and, accordingly, on a significant amount of profits, providing standard or normal quality of goods, as well as relatively low and constant prices.

Most often, violent enterprises use the strategy of mass marketing, focused on a wide consumer market, and use the same basic marketing plan for all consumer groups. The main goal of such a strategy is to increase sales and the amount of profits gained, which ensure the long-term sustainability and consistency in the receipt of revenues. In general, the violent strategy is productive and economical, if we do not take into account the neglect of certain small market segments.

Competitiveness is achieved mainly through successful offensive strategies (active strategies) and defensive strategies (passive strategies, which allow to protect, preserve competitive advantage). They are differentiated depending on the competitive position of the company in the market, its role in competition and whether it is the market leader, a candidate for this role, whether it is following the leader or trying to avoid competition with large companies. All of these basic ways of forming a competitive strategy must be used when formulating a certain strategy for achieving competitive advantages in the marketing system of the company.

The well-known ways to achieve competitiveness of the company are to develop strategies aimed at cost reduction, product differentiation, segmentation of the market, implementation of innovations, adjustment to the specific needs of the market, which must be complemented by a competition strategy based on using the advantages of the time and the development of core competencies. The essence of the strategy lies in using time as a factor for gaining competitive advantage from the birth of the product idea to the beginning of its delivery to the customers. Concentrating the company's efforts on shortening the order execution time allows to reduce costs and improve service [151]. Today, a competition strategy based on time is part of a broader theory - reengineering. The time when the product enters the market must be compared with the corresponding indicators of competitors. The essence of using the competition strategy based on the time, is to be ahead of rivals.

The competitive strategy predetermines short-term tactical actions for an immediate response to the situation as well as mid- and long-term activities, that determine the future competitive capabilities of the enterprise and its position on the market [72]. It is advisable to add clauses 8-11 (see Table 1.2) to the list of classificatory features and types of the strategy.

The strategy of achieving competitive advantages is directly integrated with functional strategies. Under the influence of the market demand, a package of orders, the general policy of the company, it is transformed into such functional strategies as: marketing, product development, personnel development, organizational changes strategies, production and technological strategy focused on the product quality and

safety and financial strategy. This process is carried out by the economic planning and technological departments, maintenance and logistics service, the personnel department, financial department, etc. Herewith, there should be a reasonable division of functions between departments and employees, who participate in the process of the strategy development.

Strategies should also be differentiated according to the level of competition, which can be weak or intensive. Increased competition in a particular segment of the market requires the company to change or improve the existing strategy to achieve competitive advantages, which is associated with the use of additional resources. Taking into account the level of the competitive field (macro-, meso-, micro-level), in which the company carries out its activities or plans to withdraw, is also, in our opinion, important when developing a strategy.

Thus, the competitiveness strategy can exist in two forms: explicit (well-grounded) and implicit (unconscious). As a rule, the company always has a certain strategy, it is built unconsciously (implicitly), and therefore is not properly grounded. Moreover, sometimes managers take decisions that contradict this strategy, wasting time and money on fighting “with themselves”, while it is necessary to use the techniques and methods of strategic analysis and management.

The examined classificatory features allow to choose the type and direction of the strategy to achieve competitive advantages for large as well as medium and small enterprises at different levels of the competitive field. However, to determine the competitive advantages of the enterprise requires economic and statistical studies of the market and consumers.

The conducted research gives grounds to conclude that when formulating a strategy for achieving competitiveness one should first of all take into account: the stage of the life cycle of the economic activity type (birth, rapid growth, maturity, decline); its structure (fragmented or concentrated); influence of competitive components (suppliers, rivals, products-substitutes, consumers, government); scale of competitors' activity (regional, national or international). Enterprises need not only predict the impact of competitive components, but also correctly react to the

transformation of the activity type structure and threats (risks) that arise for the change of the situation and the choice of a profitable market position, which is based on the sum of unique competitive advantages, which are being constantly changed by the managing subject. This condition ensures the company's high competitiveness and higher profits.

At the current development stage of the strategic management theory, the resource concept is used in the research of advantageous sources and mechanisms of the enterprise, which is transforming in the conditions of market competition. The basis for this concept modernization is the understanding of the enterprise (complex) as a portfolio of institutional, organizational and informational competencies (abilities), but not as a portfolio of business units and (or) final products. Competition becomes a struggle not for resources but for strategies, and enterprises direct investments to achieve and maintain their own strong competitive advantages in the market. The role of innovation potential, ability to develop effective strategies and develop the enterprise, thereby updating the structure and key business processes, is increasing. In modern managerial conditions, a special role is played by the introduction of ideas and technologies of strategic management into the practice of enterprises. Of particular importance is the strategic analysis and assessment of the competitive advantages of the enterprise. Low efficiency of the elaborated competitive strategies in domestic enterprises is caused by the superficial analysis and evaluation of both own competitive advantages and advantages of the rival enterprises. The main reason is the lack of analysis procedure and evaluation of enterprises' competitive advantages, which take into account the development peculiarities of domestic enterprises from different spheres of activity and success factors at different levels of the competitive field. Today, enterprises are functioning in a crisis, when it is not possible to identify, and in most cases predict the impact of the external environmental factors. That is why it is necessary to find new methods and ways of competitiveness management, to look "inside" of the enterprise and to find "opportunities in itself", which is offered by the competitiveness strategy on the basis of key competencies development.

## 1.2. Essence and significance of key competencies in ensuring the enterprise competitiveness

Under conditions of dynamic changes in the external environment, the source of companies' competitiveness in the strategic perspective increasingly become organizational competencies, through which the management of the process of transferring beneficial properties of the company's products to consumers is carried out. The theory of the firm, which is based on internal resources of the company and is represented in the works of E. Penrose, B. Wernerfelt, R. Rumelt, J. Barney, J. Collis and others [117, 118], notes that the activity of an enterprise in the competitive struggle is the result not only of the external environment (M. Porter's five forces, external positioning and others), but also depends on the available resources that the enterprise uses to satisfy the needs of market customers.

The idea that the internal capabilities of an enterprise are an important component of competitiveness emerged a long time ago. In 1957, after writing the book "Leadership in Management", Zeltnik was one of the first authors to point out that the internal factors of an enterprise, such as human resources or accumulated experience, determine the probability of success in implementing its marketing policy. He asserted that in business the past defines the present, namely that in the course of its development the firm produces a certain "character, distinction" which he called the "distinctive competency". The "distinctive competency" manifests itself through a number of its "special abilities and limitations" which are included in the institutional system formed over a certain period and affect the ability of the organization to reach certain strategies. Thus, the "distinctive competency" in one type of activity can have a restricting role, and in another type, it can attain a positive effect. The art of management lies in the ability to choose the right strategy in accordance with the tasks of the company. The influence of internal social factors of the enterprise is not less, and in most cases is even more important than the state of the market [185].

This conclusion had an enormous impact on the study of business strategies, in which they began to emphasize, that the development of a strategy and the search for new opportunities are impossible without the company's internal potential to implement the taken decisions or, at least, without the possibility of obtaining such a potential. Thus, in his book "New Corporate Strategy" I. Ansoff proposes a list of skills and resources, the so-called "competency grid", which must be regularly compiled both for the company itself and for its rivals in order to perform a comparative analysis and to identify the relative strength of market competitors. This analytical model allowed us to make strategic decisions as for business diversification [10].

A deeper search for ways to combine the potential of the organization's capabilities and external environmental factors was realized in the concept of gaining competitive advantage by comparing existing competencies and existing capabilities, described in the works of such Harvard Business School authors as E. Lend, R. Christensen, C. Andrews and W. Guth in the 1960s [180]. Their publications inspired the emergence of the widely-known model of strategic analysis of the strengths and weaknesses of an enterprise, external opportunities and threats. In the early 1970s, developments in this area of management slowed down. One of the reasons was the difficulty of practical assessment of the strengths and weaknesses of an enterprise. H. Stevenson in his research of enterprise capabilities comes to the conclusion that managers of an enterprise rarely have the same opinion about their own strengths and weaknesses. In particular, top managers are inclined to overestimate strengths, while middle- and low-level managers are often more pessimistic [186].

On the other hand, the foundations of strategic planning were questioned. In 1985, the Harvard Business Review published a publication by R. Hayes in which the author criticized the then existing practice of strategy development, which began with identifying the goal and only then formed the ways to achieve it. "One should not develop plans in order to find ways to implement them; instead, one should create opportunities, and then create plans to implement them" [177].

In the work “Use of Invisible Assets” H. Itami also spoke about the need to focus on the strengths of the company, which he called “invisible” assets, defined as the attributes of the company which have the potential to create profits but are not reflected in the balance sheet (reputation, brand, technical knowledge and experience, loyalty of customers). The author particularly emphasized the long-term nature of the competitiveness formed with the help of “invisible” assets [179].

Thus, for many experts the formation of strategies inevitably began with the study of internal capabilities and resources of the company. This approach had a further development in the 80s of the last century in the resource school of strategic planning and management. The central theoretical basis for this group of authors was the concept of the enterprise as an interconnection of specialized resources that are used for achieving a stable competitive market situation, i.e. competitiveness. The enterprise development in this situation is considered as a continuous process of obtaining, developing and expanding its resource capabilities. Since the development of each company is individual, the resources available in its possession are different and unique. The marketing strategy of each company is formed with the aim of using the set of resources that are available. Thus, the history of the organization, accumulated experience, character and culture, strengths and capabilities are the factors that influence the competitiveness of the company and determine its success in the market.

The authors believed that this concept can be applied both at the level of individual strategic business units and at the level of corporate management. At the level of individual companies, competitiveness is dependent on their unique resources and capabilities that cannot be copied or purchased by competitors. At the level of the corporation, the interconnection of resources and capabilities can be used in various types of activity for the manufacture of final products. The success of the corporate strategy requires accumulation of resources and capabilities and their use in accordance with the market conditions. As a result, the capabilities and resources of the company become a more reliable basis for both separate enterprises and corporate strategy than minor factors of the external marketing environment.



According to the resource-oriented approach, the term “competency” was used to broaden the notion of resource. K. Andrews was one of the first to use in his works the term “special competency” to define the type of activity in which the enterprise shows itself in the best way. “The special competency of an enterprise is more than what it can do; it is what it can do extraordinarily well; enterprises should “identify the skills that underlie any success achieved” and “find or create the skills that are truly special” [169].

K. Prahalad and G. Hamel define the key competency as “skills and abilities that are formed by harmonization of different technological tensions, relate to the provision of values and are the result of the collective organization’s experience as a whole”. Paying attention to the fact that the unique combination of key competencies creates a competitive advantage, their development is the key to the competitive ability of the enterprise [130].

Continuing to consider the key competency as the essence of competitive ability of the company, we define it as a set of skills and technologies that allow the company to create benefits for consumers [153]. T. Durand, arguing that the competencies concept can offer more than a resource-oriented point of view, develops a new model in which he describes the term “competency” as the ability of an enterprise to select, combine and integrate resources into goods and services [48]. D. Harves and V. Boehner propose a model for determining the optimal organizational form of multinational corporations based on the theory of dynamic competencies. The authors point out that the study of profits and costs that arise as a result of the enterprise’s competencies development explains the reorganization decisions better than the model of operating costs [30]. R. McGrath empirically verifies the idea that competitive advantage, represented by potential income from rent, is the result of corporate competency and innovativeness of the enterprise in establishing the differences between itself and competitors in efficiency, characteristic values or relations with customers [77]. The common feature of all the mentioned approaches is that competencies are studied as unique abilities, knowledge, behavioral models of an enterprise and are the basis for creation and

implementation of its competitive advantages. It should be noted that in literature the concept of “competency” is also viewed from other viewpoints: the set of powers given by a legal act to a particular body or a person in charge, the competency, i.e. the ability of an employee to perform his duties on the basis of his existing knowledge and experience, a typical and measured model of behavior, knowledge and skills that contribute to the employee’s most efficient performance [7, 29, 49]. While the first viewpoint reflects the legal approach to defining competency, the second and third ones define the competency of an individual employee. This approach refers to the competency of the company as a whole, which is disclosed through the definition of notions, holders, subjects of the competency, aim of application, functional purpose, etc. (Table 1.3).

**Table 1.3. Differences between the employee’s and the company’s competencies as a whole**

| <b>The employee’s competency</b>  | <b>The company’s competency</b>   |
|---|---|
| <i>Understanding of notions</i>   |   |
| Typical model of behavior, knowledge and skills that contribute to the employee’s most efficient performance  | Set of knowledge and technologies for managing resources and business processes of the company, the holders of which are its employees  |
| <i>The competency holder</i>  |   |
| A separate employee   | Employees at different levels of the company  |
| <i>The subject of management</i>  |   |
| Lower and middle level managers   | Top management  |
| <i>The goal of application</i>  |   |
| Achievement of consistency of actions and fairness in the management of personnel; setting high standards of quality and increasing the efficiency of the company's performance   | Achievement of leadership in the chosen sphere of activity. Ensure potential access to different markets. Enable growth of the enterprise; act as the driving force in business development   |
| <i>Functional destination</i>   |   |
| Definition of the employee’s knowledge, skills and behavior; use in the selection, training and development of personnel; in order to measure and manage the employee’s performance; to evaluate, remunerate and reward employees | Coordination of activities for the production of a wide range of products; integration, harmonization of different business areas; organization of the provision of values based on a common understanding of the needs of the market and buyers, as well as their capabilities for all divisions |
| <i>Examples</i>   |   |
| Teamwork, communication, leadership, client orientation, change orientation, creativity, etc.   | In the field of design and development of functionality, product design; distribution and promotion of the product on the market  |

Source: own research

Analyzing the types of the enterprise’s competencies, it is necessary to focus on their clear distinction between the enterprise’s assets and resources and the individual and organizational capabilities, knowledge, processes, established by the order of works and production culture.

The conducted research allowed us to summarize the company's competencies into the following classification (Table 1.4).

**Table 1.4. Classification of the company’s competencies**

| Competency  | Examples   |
|---|--|
| Independent assets: material and non-material   | Equipment, facilities, products, software, trademarks  |
| Cognitive abilities: individual and collective  | Knowledge, know-how, technologies, patents   |
| Organizational processes and everyday operations: related to coordinated placement                  | The enterprise’s coordination mechanisms that integrate individual actions into collective functioning         |
| Organizational structure: can help or hinder the ability of the company to adapt to certain changes | Designing the company’s structure and its relations with the external environment (suppliers, customers, etc.) |
| Identity: can help or hinder the adaptive capabilities of the company                               | Behavioral and cultural characteristics. Identity signs: collective values, beliefs, rituals and taboos        |

Source: adapted [30, 47, 48, 50]

In other words, on the one hand, we have components - material and non-material, which can be obtained and changed without transfer of labor resources. They can be called “non-social assets and resources”. On the other hand, we have non-material assets that are difficult to acquire and copy.

It should be noted that there are still debates in scientific literature about the types of competencies [30, 47, 48, 50]. Is it possible for a successful company using its own particular competencies to succeed in other markets where it has never tried to enter, but where the same competencies could be highly valued? This actually leads to the division of competencies into realized and potential ones.

It should be noted that competencies also have a dual nature in another aspect. Positive or negative duality of the competency means that it can be not only positive, as an asset, but also negative - in the form of expenses, when it is not used by the

organization. We support T. Durand's idea to describe the essence of the competency in three categories: knowledge, know-how and interaction [48].

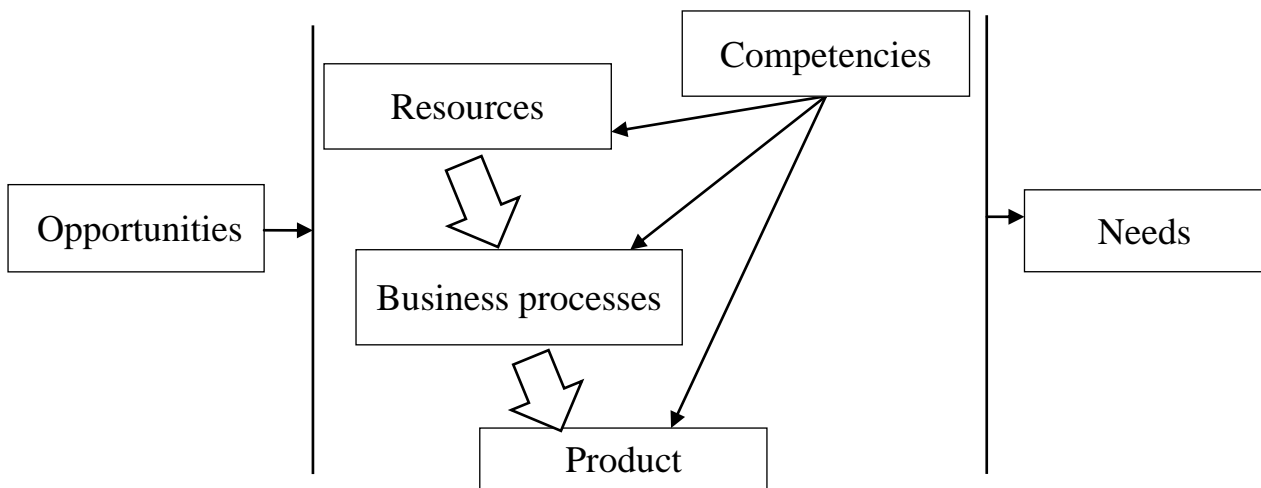
The category “knowledge” corresponds to structured sets of acquired information, which allows understanding the environment. “Knowledge” gives access to informational data, enables their comprehension and further assimilation. “Know-how” determines the ability to act in a specific way in compliance with the specific purposes or processes. “Know-how” does not exclude “knowledge” and envisages understanding why skills, abilities, technologies and innovations used in a particular operation really work. “Interaction” is often overlooked in resource-based approaches, despite the fact that behavior, identity and desire are important components among an individual’s or an organization’s abilities to achieve a certain goal. So, the system of competencies is a complex phenomenon that combines behavioral aspect and company culture.

Modeling of competencies forms a principally new basis for understanding the competitiveness of an enterprise. Competencies determine the quality and efficiency of joint use of the set of resources available to the enterprise, as well as the form and content of its business processes, which result in the output of a product that fully satisfies consumers’ needs (Fig. 1.4).

Based on the analysis of the existing scientific approaches, we propose to classify the enterprise’s resources into financial, material and technical, organizational and personnel, informational [3, 29, 42].

Financial resources include monetary funds, VAT, debit receivables, short- and long-term financial investments, owned and borrowed capital. Material and technical resources include basic resources and stocks (raw materials, fuel oil, materials, semi-finished products, etc.).

Organizational and human resources are knowledge, experience, qualification of personnel, including management personnel; organizational structure and organizational culture; reputation, trademark, technical knowledge and experience, patents, licenses. The information resource includes a set of data that are created within the company or come from outside.



**Figure 1.4. Interrelation of the company’s resources, business processes and competencies**

*Source: own research*

Business processes – these are the development, production and sales of the enterprise’s goods, the implementation of which implies the creation and provision of the necessary goods to consumers. Using the enterprise’s competencies increases a certain value of the final product, which appears as a result of their interaction with resources and business processes. Generally, business can be conceptualized as a process of creation of useful products, as a sequence of consumption of certain “utilities” purchased at the supply market, their transformation into a new “utility” with subsequent implementation in the form of a product. Similarly, the satisfaction of not only existing, but also of hidden (implicit) consumer needs can be carried out.

Competencies, as internal knowledge about the company, are inaccessible to the direct perception of the consumer. They are indirectly expressed in the utility of the final product through the efficiency of resource utilization and organization of business processes in the production system with a certain configuration.

Based on all of the above mentioned, we propose a definition of the concept “competency” as a set of knowledge, skills and technologies to manage resources and business processes of the company, the bearers of which are individually or collectively its employees. Using the company’s competencies increases the product

utility and ensures a strong competitive market advantage. There is a certain hierarchy of competencies. The key competency is the one that takes part in creating the greatest utility of the company's products for the consumer. The key competency is the collective knowledge that allows to control the use of other competencies.

K. Prahalad and H. Hamel distinguish the main properties of the core competency: “firstly, key competencies provide the enterprise with potential access to various markets. Secondly, they determine the distinctive properties of the final product of the company. Finally, the company’s key competencies are practically not reproduced by competitors, as they represent a complex combination of separate individual technologies and skills. The competitors can buy some technologies that are part of the core competencies, but they do not have access to the enterprise’s schemes of interaction and internal coordination, as well as to its experience” [130]. K. Prahalad and G. Hamel name a few more characteristic features of the key competency of an enterprise:

1. Integration of skills. The competency is a complex of interconnected skills and technologies, rather than a single skill or technology. This integration is a synthesis of knowledge, which includes all the skills available in the production units of the company. In the opinion of the authors, the optimum quantity of them is from nine to fifteen core competencies.

2. Value for the consumer. The key competency must have the greatest contribution to the customer value of the product. At the same time, this does not mean that the customer can easily recognize it. Customers perceive advantages, conveniences and benefits, but not the technical competencies that create them. The authors note that there is an exception to the rule that the key competency must make a significant contribution to the creation of customer values. Production competencies that lead to a significant reduction in costs, i.e. which are beneficial for the producer, can also be considered as core competencies. Any set of skills that brings significant benefits not only to the customer, but also to the manufacturer, can also be called the core competency.

3. Differentiation of competitors. In order to have the qualities of the core competency, skills and abilities must be unique. This does not mean that they must belong only to one company. Any skills and abilities shouldn't be called "core" if they are widespread in the entire industry, as long as, of course, their level in a particular company does not exceed the average for the industry. Any company has a set of skills and capabilities necessary to enter a certain field, but they do not create a significant competitive differentiation of companies. In other words, there is a difference between the imperative and distinctive competencies. There may be a situation when the existing particular competency is insufficiently developed. Such competency can be regarded as a potential key competency if there are opportunities for its development and reasons to believe that the clients will highly appreciate it.

4. Perspective. The competency will be core, if it is possible to imagine a great number of new goods or services, which will emerge from it [153].

Some authors suggest other characteristics of the core competency:

1. A specific key competency can be used only within the limits of an organization in which it exists, i.e. it is related only to this configuration of resources and business processes.

2. The competency, unlike other assets of the organization, does not age morally and physically in the process of use. On the contrary, some authors consider it to be the main advantage that emerges during the competitive advantage formation and develops on the basis of the competency, its quality increases, the efficiency of its use increases historically, which is the most fundamental and long-lasting asset of the organization.

3. The competency is irreplaceable - in a particular configuration of resources and business processes of the organization it cannot be replaced by another competency.

4. The organization's key competency is often better developed in the beginning than that of its competitors.

5. Since the key competency includes a set of other competencies, it has a synergetic effect and can be used for their mutual reinforcement [48, 50, 77].

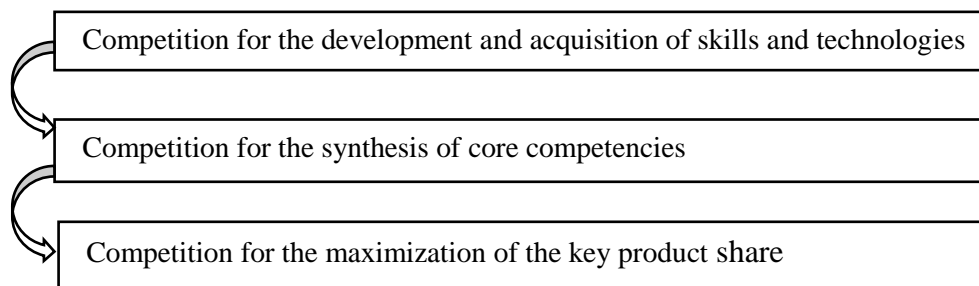
In scientific literature the notion of the key competency is often equated to the notions of “assets”, “competitive advantages”, “critical success factors”, “vertical integration” and others. First of all, the key competency is not an “asset” in the accounting sense of the word. Assets are objects, not skills. However, the ability to operate assets, both material and non-material, can create a core competency. Unlike physical assets, competencies do not “wear out”, although over time the key competency may lose its significance. However, in general, the more the competency is used, the more perfect and valuable it becomes.

The key competency is the basis for the creation of competitive advantage, because it is unique and influences the consumer utility of the product. However, not all competitive advantages will be core competencies. Each key competency is a critical factor of success, but not all critical success factors are core competencies. The company may have a license agreement that gives it access to a unique technology or obtain an exclusive license to import a certain product; the plants may be located near sources of raw materials or in an area with cheap labor force; consumers consider it better to buy from this company because it sells local products or, alternatively, imported products, etc. – all these are examples of competitive advantages, each of which is a critical factor of success without being a core competency.

The key competency is capabilities, skills, abilities. The company can meet high standards of advantage in comparison with its competitors, but these advantages do not rely on skills and capabilities. Such advantages do not become less valuable or important for success, but they should be managed in a very different way, not as competencies that use human capital. Although a unique combination of key competencies can create a real competitive advantage. Key competencies are not a kind of vertical integration. The company may not produce everything it sells, but it must try to control those key competencies that have the greatest contribution to the creation of sales benefits, for example, in the field of logistics, quality, design, product development, consideration of customers' opinions, sale of goods, etc.



The current research reveals a tendency for enterprises to move from vertical integration to the so-called virtual integration. In an association of companies, each company uses a number of core competencies. Although managers are required to know the range of competencies needed to compete for any particular product or market, they do not need to have all of them in their company. The profit of any company within the virtual network depends on the uniqueness and value of its core competencies. In addition, we believe it is appropriate to keep those key competencies that determine the attitude of customers to the company and open access to new markets. Therefore, the decision of what to borrow from others, should be based on a thorough understanding of what is and what is not the key competency of the company. G. Hamel and K. Prahalad distinguish several levels of struggle for the competencies possession (Fig. 1.5).



**Figure 1.5. Levels of competencies struggle**

*Source: own research*

The goal of first-level competition is to acquire or develop skills or technologies that constitute a specific core competency. This competition exists in the markets of technology, human resources, partners in terms of alliances and intellectual property rights. Enterprises compete for access to specific skills and technologies that constitute a more general core competency.

Enterprises that intend to create key competencies in certain areas of activity can try to outperform their rivals in establishing exclusive relationships with partners, for example, by competing for access to more effective contracts; for establishing a joint venture with an enterprise possessing related skills or for getting a potential client

into a long-term product development contract. Another possible way to compete for leadership in competencies is to fight for the right to be the first to register patents that protect against copying this or that method of supplying a consumer benefit.

The second level is competition for the synthesis of core competencies. At this stage, competency is created and developed not due to external borrowings, but in the process of multiple use of the same skills.

The third level of competition concerns what are called core products. The core product is an intermediate link between the key competency and the final product. Many enterprises seek to sell core products to other companies, even competitors, on the principle of supplying finished elements to obtain a part of the “virtual market”. This part of the virtual market, as well as the income and experience gained, allows the company to accelerate the creation of core competencies. On the other hand, an enterprise that receives a large share of the core product from external sources may later become dependent on its suppliers.

Traditionally, the subject of analysis of market competition is mainly a specific product or service. The placement of the product on the market, the order of entering the market, pricing policy, the size and differentiation of costs, signals about the competition intensity and obstacles on the way of the product penetration on the market are often discussed in the context of one product or a number of closely related products.

Competition in the field of competencies does not manifest itself only in opposing one product to another or one type of business to another. It is competition among enterprises. We believe that there are several reasons that allow us to study competition in the field of competencies, as competition among enterprises.

Firstly, key competencies do not belong to a certain product. By contributing to the competitiveness of products or services, key competencies in this sense go beyond any particular product or service and go beyond any particular business unit. Key competencies have a longer “life” than any single product.

Secondly, success or failure in the fight for leadership in competencies can have a profound effect on the growth potential and competitiveness of the company. This is much more than the success or failure of a single product.

Thirdly, the investments, risks, and time constraints necessary to achieve leadership in key competencies often exceed the resources of an individual business unit. That is why it is impossible to create certain competencies without direct support of the entire company. The management cannot delegate only one company's division with the task of identification and planification of investments in the key competencies that will ensure a stable position of the company in the market.

It is important to emphasize that the realities of globalization determine the development not so much of competition but of cooperation as the basis for the existence, development and prosperity of business. That being said, the most effective is the organization of cooperation among competitors on the basis of mutual complementarity of competencies that take part in business processes. That is why today it is especially important to learn how to manage the competencies in order to obtain their optimal configuration within the established coalitions, partnerships, and alliances.

Thus, most scientists study the competitiveness of an enterprise as a condition or a result of its activity in the market and do not specify at the expense of what it is achieved. We propose to study the competitiveness as the ability of the company to increase the marketability of their products, to identify, use and develop own organizational competencies (strategy, ability to learn, innovativeness, budgeting, client-orientation), thereby ensuring a strong competitive market advantage. Formally, the competitiveness of the company can be represented as a function from its available competencies, resources and business processes:

$$K = f(X); X = f(c, y, z) \quad (1.1)$$

where:  $K$  - competitiveness of the company;  $X$  - value of the final product;  $c$  - competencies;  $y$  - resources;  $z$  - business processes.

The key competency lies at the crossroads of internal business conditions and consumer benefits. This is the knowledge that determines the formation of the highest utility of the company's products for consumers. The way to increase the company's competitiveness is namely to create and multiply benefits pleasing the customer with the help of the key competencies development, and we recommend to develop key competencies by means of internal marketing.

### **1.3. Marketing approaches to increase competitiveness of agro-industrial enterprises**

The dynamics of the current economic environment forces enterprises to search for new ways to form and develop their own competitive advantages. The globalization of world markets makes competition among enterprises more intense. This means that the competitiveness of business, its maintenance and augmentation are the key issues for the development of any enterprise. During the industrial era, the key to the enterprise's success was the profit maximization on the basis of economical resources consumption and benefits from the "scale of production". Of course, new technologies also had a significant economic value, and competitive advantages were gained by those who were able to implement them in the mass production of consumer goods. In the era of information technology, it is impossible to gain a strong market advantage through the rapid introduction of new technologies into production (material assets) or only through the management of financial assets and liabilities. The most effective way to increase the competitiveness of the company is the ability to mobilize and fully use its non-material assets, which provide the opportunity to:

- develop relationships with customers in such a way so that to maintain their loyalty and existing market segment on the one hand, and to serve new customers and the new market segment with high efficiency on the other hand;

- introduce new products and types of services that are popular in the target market segment;

- produce high quality products and services at a low price and deliver them to consumers in the shortest possible time;

- mobilize employees and motivate them to continuously improve their skills and abilities, the quality of their work; implement information technologies and systems; create databases [56, 57, 179].

An important condition for ensuring the company's strong competitive advantage is achieving the synergy effect. Enterprises are composed of numerous divisions, each of which has its own strategy. So that the result of the company's activity as a whole was something more than just the sum of the results of its divisions' activities, the individual strategies must be linked to each other and become an integrated whole. This integrative function is performed by the key competencies of the company due to their basic properties:

The key competencies determine the outstanding properties of the final product of the company and make the greatest contribution to its marketability;

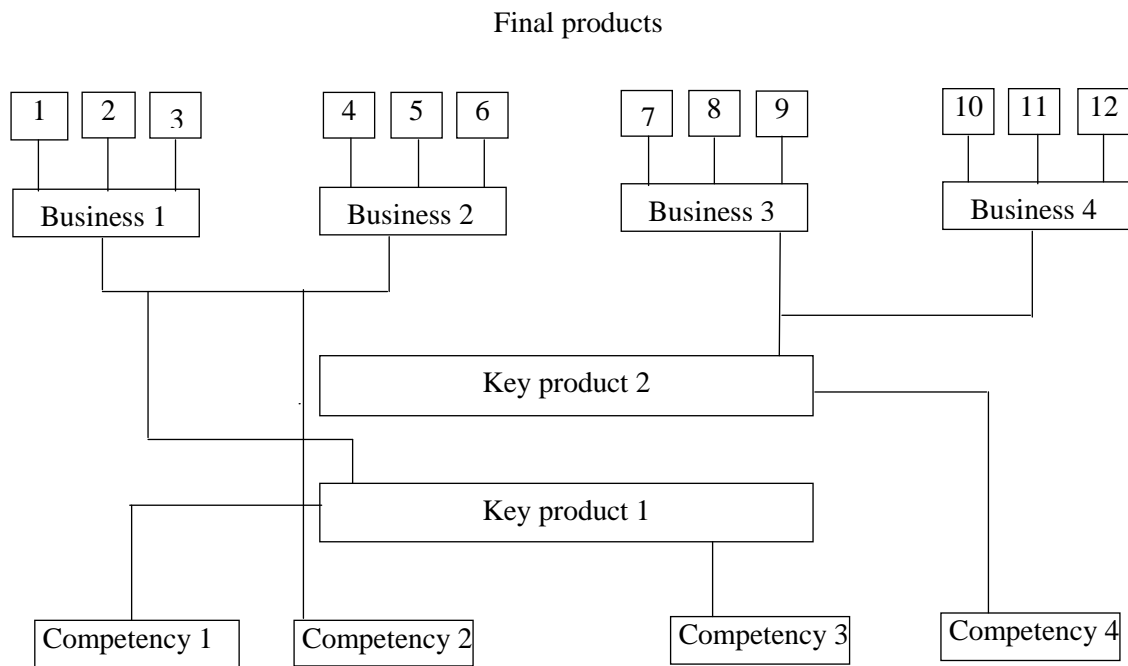
- are practically not reproduced by competitors;
- provide the company with potential access to different markets;
- is a fundamental and long-lasting asset of the company (key competencies do not lose their relevance morally and physically, but only develop and improve with use).

Due to their synergetic nature, they allow to maximize the efficient use of resources from all company's departments, with the implementation of business processes to increase the products utility.

Key competencies as a basis for creation and development of an enterprise's competitive advantages are likened to a tree; the stem and its largest branches are the key products, other branches are sub-divisions, and leaves, flowers and fruits are the final products [130]. Key competencies ensure the saturation, support and stability of a tree's root system (Fig. 1.6).

We agree with the opinion of scientists that the development of the company's key competencies is a process that includes: identification of existing core competencies; development of a program for key competencies acquisition; creation of new core competencies; development of core competencies; protection and preservation of key competencies [139].

Since the individual or collective holders of the company's key competencies are its employees, the role of internal marketing in the development of key competencies is increasing. The concept of internal marketing has not been practically studied in the domestic literature.



**Figure 1.6. Competencies as roots of the company’s competitiveness**

*Source: own research*

Foreign marketing schools have different approaches to defining the essence of this concept. L. Berri (The North American School of Services Marketing) believes that “internal marketing is recruitment, development, motivation and retention of qualified personnel, satisfaction of their needs. Internal marketing is a philosophy of treating the employee as a customer and a strategy of creating a work-product in accordance with the needs of the employee-customer” [172]. K. Grenroos notes that “the idea of internal marketing lies in the fact that the employees of the organization must be motivated to serve the customers in a reasonable way, be client-oriented and interested in the results of work by means of active use of marketing approach to the internal market of employees” [176]. M. Rafik and P.K. Ahmed explain that “internal marketing is planned actions for motivation and integration of the company’s employees in the aim of efficient implementation of corporate and functional strategies” [183]. J.-P. Flip notes that the effective implementation of new strategies requires planned actions for solving inter-functional conflicts and improving internal communications [174]. D. Ballantyne points out that internal marketing aims to

reduce the gap between theoretical formulation and practical implementation of corporate strategies [171]. R. Martin considers internal marketing as the central program to reduce isolation and inter-functional discrepancies among the enterprise's divisions [182].

According to the above-mentioned points of view, which are not opposing, but inter-complementary, the concept of internal marketing can be regarded in three aspects:

1. Internal marketing as a system of interaction between the organization and its personnel;
2. Internal marketing as an enterprise's internal philosophy as for market orientation;
3. Internal marketing as a way of practical implementation of the company's new strategy (or adjustment of the old one).

The basis of the first approach to internal marketing is the dependence of the product quality and external customers' satisfaction from the organization's work quality and its employees' satisfaction. Since each employee is individual and has his own opinion and attitude to this or that fact, the quality of the goods produced depends on the employees who take part in this process. Internal marketing appears as a philosophy of human resource management of the organization; a single management process of the enterprise's multiple functions integration [123].

The second approach to internal marketing is based on all employees' unified focus on the consumer market. Market focus in this case is considered in two aspects:

- a) Focus on customers, that is, understanding and satisfaction of customers' needs by the company's employees;
- b) Focus on competitors, i.e. employees of the company must have information about competitors, know their weaknesses and use this information to satisfy customers more completely.

The third approach determines the internal marketing as a way to implement the enterprise's strategy and form common values in all of its employees [183]. This point of view arose due to the fact that when implementing any innovations, the



management of the enterprise, as a rule, is faced with difficulties related to the personnel (lack of understanding, lack of desire, etc.) [190].

Summarizing the three basic approaches, we can note that internal marketing is a management activity aimed at formation of motivated and client-oriented staff to achieve the company's marketing goals and satisfaction of consumer demand. The internal marketing philosophy is based, on the one hand, on the fact that the staff is the organization's resource necessary to achieve its goals, on the other hand, the staff is one of the company's most important customer groups whose needs must be satisfied.

The essence of internal marketing lies in the identification and satisfaction of employees' needs ("internal" customers), which is the prerequisite for their effective satisfaction of "external" customers' needs. The object of internal marketing is the process of providing services, in which each department (employee) of the company considers another department (another employee), which uses work result of the former, as an internal customer and tries to satisfy its internal customer by providing him/her with a quality service.

The key elements of the internal marketing concept include: motivated and satisfied personnel; customer loyalty and interest in selling the product; use of the marketing approach in the company's internal market; and inter-functional integration [188].

The difference between internal marketing and other concepts existing, for example, in the sphere of management, personnel management, is that the "organization-personnel" relationship is based on the same principles as the "organization-customer" [181]. The company "offers" a special product: a position in the company with its specific rights and duties. The employee "buys" this product, "paying for it with his work". M. Rafik suggests considering the internal marketing concept by analogy with traditional marketing-mix. Inner marketing-mix, in her opinion, includes the following elements:

1. The product is the job offered by the organization to its employee. The development of the internal product (job) includes: the appropriate personnel

selection; effective internal training; proper distribution of duties and responsibilities; creation of team work conditions [141]. The personnel's satisfaction with the internal product (job) depends on the degree to which this product's consumer properties correspond to their expectations.

2. The internal product price is an alternative cost of the chosen work, the so-called price of choice. The internal product price is determined by the greater alternative value of material, social and other benefits that employees could receive at another job. Only in this case, the company can count on satisfied employees performing quality work. In other words, the internal product price is determined by the level of employees' motivation. Employees' personal motivation is evaluated by the level of their demand for the factors that determine different aspects of motivation, for example, such as the method of wage formation, the prospect of career growth and beneficial conditions of using the company's own services, organization of entertainment activities for the personnel, training, workshops, extension seminars, etc.

3. Place (method of internal product delivery) is the proper distribution of employees within the company. This component is considered first of all from the point of view of organizational structure efficiency. Also the convenience of territorial location of the workplace for individual employees is considered, for example, when distributing employees to different divisions, additional offices and other structural subdivisions, located in different parts of the city.

4. The internal product promotion is the formation of a corporate culture that contributes to satisfaction of internal customers' needs, creation of a system of effective interrelations between internal customers and internal suppliers, between internal customers and external customers, development of internal communications among internal PR elements.

Thus, internal marketing is a staff-oriented managerial activity aimed to ensure effective task performance by the employees in order to achieve the company's marketing goals. Experience shows that it is possible to succeed in the development of the company's brand focused on external customers. However, the final result will

substantially depend on the quality of the staff's work as for its implementation. Internal marketing is aimed at cultivating in employees loyalty to the brand, as only under this condition they will be able to convince external customers of its attractiveness.

In other words, to become attractive to its customers, the company must first of all become attractive to its staff. The use of internal marketing funds is aimed at increasing the level of conscious support of the company's ideas, values and initiatives on the part of its employees. In a certain sense, this means "selling" their "brand value", i.e. communicating to everyone the essence of what the company provides to external customers and each employee's contribution to it. That is why in a narrower sense the internal marketing is a purposeful activity aimed at motivation and integration of the personnel for efficient implementation of the company's strategies [47].

The basic principles of internal marketing include: focus on personnel needs satisfaction; motivation of all the company's personnel to satisfy external customers' needs; use of traditional marketing methods inside the entire company; inter-functional cooperation among all divisions, active interaction of the staff with managers, customers, other stakeholders; readiness for changes [171]. The goal of internal marketing is to create an internal environment of the company that promotes the development of motivated and client-oriented personnel through the implementation of the system elements of internal marketing tools.

C. Foreman and A. Mani distinguish several types of internal marketing depending on who performs the internal marketing actions - the company as a whole, or an individual group (department, employee) and on whom (or on what) the marketing efforts of these entities are focused - on the company as a whole or on any group. On this basis, the following types of internal marketing are distinguished:

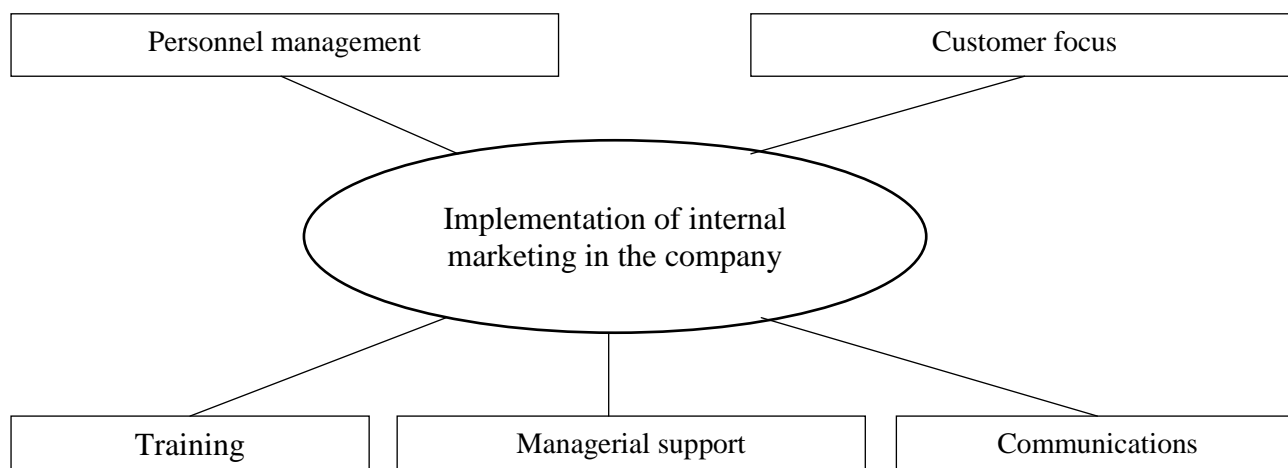
Type I - as an internal "marketer" there is a separate structural division of the company, a group of employees or an individual employee, and in relation to another division they are considered as their internal customers. The goal of this type of internal marketing is to improve the quality at each stage of the company's work.

Type II - the company as a whole directs its internal marketing efforts to a separate division, group or employee. The goal of this type of internal marketing is to create a favorable psychological climate in the company in order to increase the personnel's initiative at work.

Type III – a separate division, group or employee is an internal “marketer” in relation to the company as a whole. For example, the quality and working conditions of the information department determine the quality of work of all other employees and the results of the company's work as a whole.

Type IV - the enterprise as a whole is simultaneously a “marketer” and the market on which its actions are focused. This type of internal marketing is most often described in the literature; its goal is to achieve the efficiency of internal exchange processes between the company and its employees [175].

The use of internal marketing for the development of the company's key competencies involves the development and implementation of the following system of tools (Fig. 1.7).



**Figure 1.7. Internal marketing tools**

*Source: own research*

*Managerial support.* One of the most important internal marketing activities is insurance of constant support from managers at all levels. Top management is the most important target segment of internal marketing. The success or failure of

internal marketing depends in many ways on how well the managing staff of the company is distributed by departments, which will further affect the actions of all employees. Implementation of changes is often carried out from top to bottom: top managers formulate the company's vision and mission; then middle managers implement these ideas in their day-to-day activities; finally, all employees, while performing their functions, begin to think in line with the new goals and values that are common to the entire company and understandable to everyone.

*Training.* Training is primarily concerned with the personnel who are in direct contact with customers, but it is impossible to leave out other employees of the company. It is important for each employee to be included in the process of internal marketing implementation at all stages, which will ensure its understanding, acceptance and success of implementation. In practice, the script method of training (role-plays) is widely used, when each employee is given a behavior "scenario" of his/her interactions with customers (including the key phrases for the beginning, development and completion of an interaction). The main training objective is to develop staff skills to use existing knowledge and experience not only to meet current needs, but also to establish long-term, mutually beneficial relationships with customers. Training contributes to the fact that the staff's way of thinking and actions correspond to the company's development direction as a whole. To this end, for example, involving employees in the process of organizational planning could be practiced. This allows, first of all, to exchange information, to identify problems and possible ways to solve them together with the employees and managers of the company; secondly, to bring to employees the understanding of the necessity to work for better customer satisfaction and victory in the competition; thirdly, to ensure consistency in the activities of all personnel of the company.

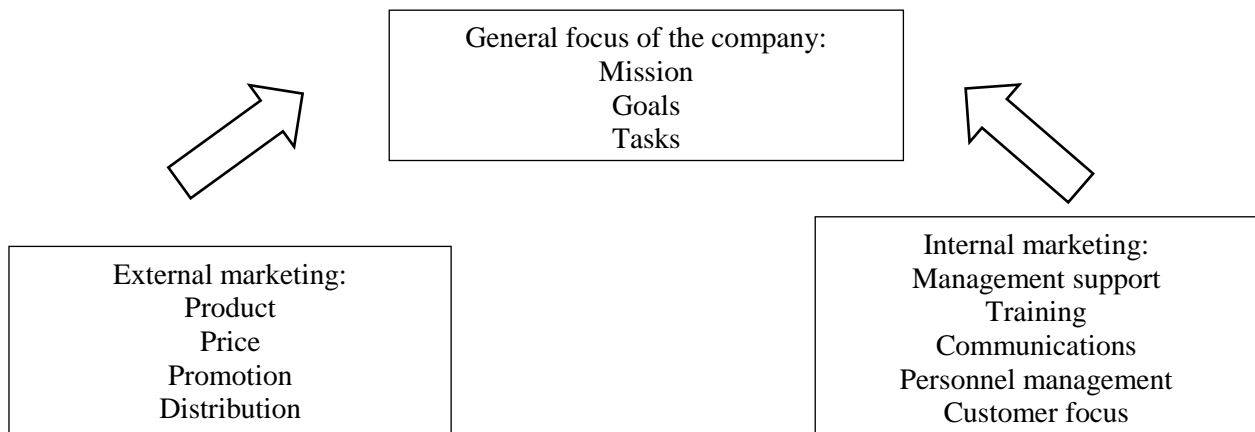
*Communication.* Practice shows that the use of only training programs is not enough to achieve success in the implementation of internal marketing. Communication includes the provision of wide opportunities in the receipt and exchange of information between employees of all levels, both in training and in the process of everyday work. Mid-level managers can use slides, videos, published

materials, information on stands and the company's internal website to popularize among employees the main points of the organization's mission.

*Personnel management.* This includes recruiting and selecting the necessary employees for the company, designing their training and development, measuring and managing the efficiency of their work, evaluation, payment and gratification, planning the career of employees. These components of personnel management must be coordinated with other measures of internal marketing in order to ensure the consistency and continuity of their implementation.

*Customer focus.* This involves informing the staff about the products or services. For this purpose promotional campaigns are held, brochures are spread, which focus on the main provisions of the company's mission. These events allow employees to express their ideas, ask questions, comment on the products or services of the company for outside customers.

In such a way, the interconnection of internal and external marketing is ensured (Fig. 1.8).

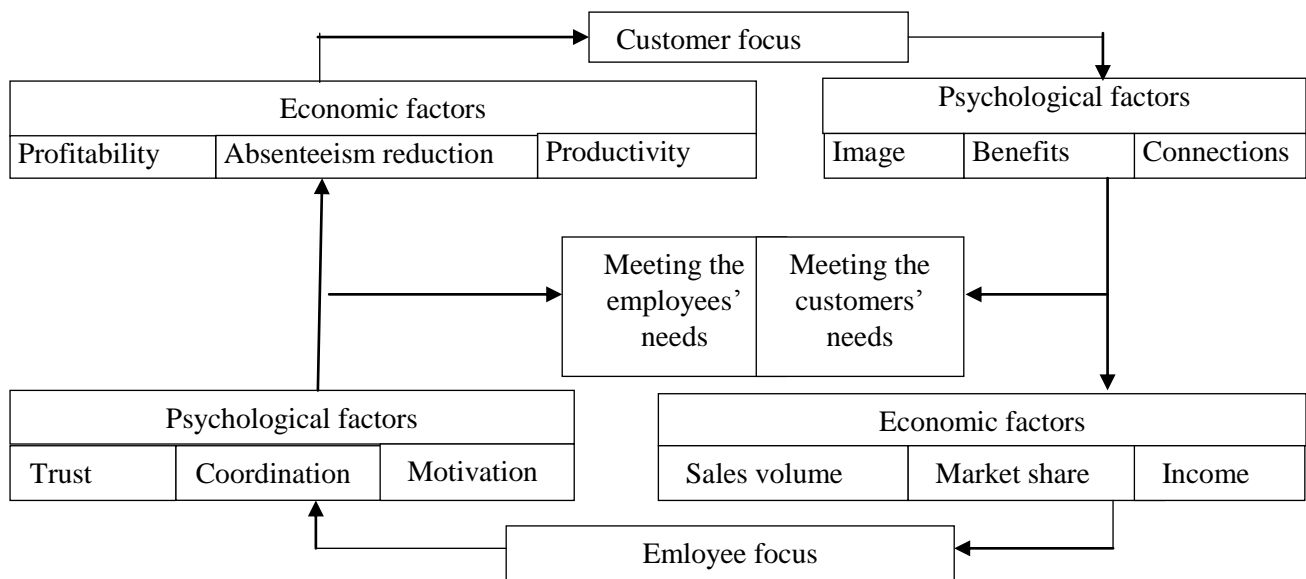


**Figure 1.8. Interrelation of internal and external marketing**

*Source: own research*

M. Brun considers the interrelation of the company's focus on external customers and employees through a set of factors that influence their satisfaction (Fig. 1.9). Psychological factors affecting the satisfaction of the employees are the main point of internal marketing. Employees' trust in the top management, giving them the authority and right to take decisions, the coordination of actions between

different organizational levels of the company as well as effective mechanisms of employees' motivation favorably influence the economic performance of the company, which, in turn, positively influences the attitude to it of existing and potential customers. A qualitative and constantly growing customer base is one of the most important factors in achieving high sales volumes and, accordingly, the organization's profits, which, in turn, must be an effective motivating factor for the quality and productive work of the company's employees [22].



**Figure 1.9. Interrelation of external customer and employee orientations**

Source: own research

Apart from determining the dependence of the company's functional results on external factors, it is necessary to show the level of integration of the indicated elements in its business process. On the basis of this data, it is possible to estimate the level of risk associated with the influence of the external factors on the company. We suggest assessing the level of integration of each element by a five-point scale, where 5 means that the element is completely borrowed from the environment; 1 - sources of influence on the element are located within the enterprise. To determine the degree of dependence of the company's functioning on the influence of environmental factors, we suggest using the average value of factor assessments, calculated according to the received hierarchies:

$$E_t = \frac{\sum_{i=1}^n A_{t_i} \cdot B_{t_i}}{\sum_{i=1}^n B_{t_i}} \quad (1.2)$$

where  $E_t$  is the value of the correlation between utility and the impact of external factors by  $t$ , where  $t = Y$ ,  $t = Z$ , or  $t = C$  in the cases when the calculation is carried out to estimate the level of impact of the resources, business processes, or competencies accordingly;  $A_{t_i}$  is the level of interaction of the  $i$ -resource, business process or competency with the external environment;  $B_{t_i}$  is rank of the  $i$ -resource, business process or competency;  $n$  is the number of resources, business processes or competencies.

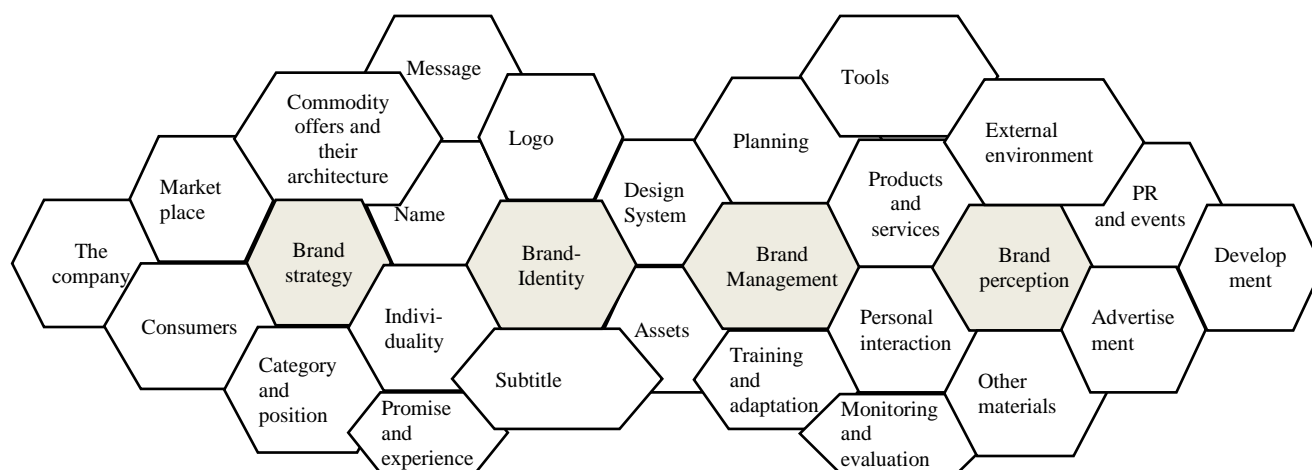
Thus, internal marketing, as the basis for the development of the company's key competencies is an uninterrupted, targeted sequence of managerial actions for the development of customer loyalty to the company; increase of the employees' loyalty; organization of cooperation among all divisions to achieve the set goals.

In order to effectively satisfy the needs of external customers, to be competitive in the market, and to develop its key competencies, the company must effectively satisfy the needs of its internal customers, i.e. the staff. This is achieved through the system of internal marketing in alliance with identity branding. It should be noted that branding activities are difficult to plan, implement and manage, since branding covers all kinds of activities of the company. Trying to solve this problem, D. Hen developed a system of identification branding - a program that provides a unified approach to the study of all aspects of branding [178].

The system of identity branding is based on four key disciplines (brand strategy, brand identity, brand management and brand perception), each of which plays an important role and has a number of elements in its composition (Fig. 1.10).

When developing a new brand, four disciplines are used as the last stages of its creation. When working with existing brands, the disciplines are applied simultaneously. The system of identity branding is branding as activity in the long term, which provides a basis for the creation and management of the brand throughout the entire period of its existence. This system offers a clear understanding and explanation of the current brand strategy, brand identification, planning and development. It can reveal the "vulnerable places" as well as help to identify demands for specific work to create a clear sequence of branding elements.





**Figure 1.10. Identity branding system and its disciplines and elements**

Source: adapted [ 58,149,168,178]

The identity branding system is designed to present branding as a model that serves these purposes: using a unified approach for the creation of the company’s brands and the product; providing a fundamental set of concepts and terminology for activities to create and manage the brand; using a long-term brand management; the ability to begin effective work with the brand at any stage of its lifecycle.

Investigations indicate that the system of identity branding is effective in various situations when working with the brand: creation of new corporate or individual brands, development of integrated brand communications, promotion and management of existing brands, re-conceptualization of existing brands, integration of brand components, internal brand promotion among the company's employees, expansion of the existing brand.

The identity branding system begins with *the brand strategy*. The goal is two main directions of implementation: to find out the main aspects of the company's activity, its place in the market, its customers and other target audiences, and then to use this knowledge to formulate the appropriate brand strategy. Brand strategy is important because it is the basis of all branding activities and determines the coordination between the company's managerial decisions before the start of brand creation efforts. Based on the research of the company, its product offerings, consumer audience and competitive market, the strategy determines the overall brand

architecture (interconnection of the company, products, partners and brand components), differentiated market position and loyalty of consumers.

Informed and directed by the elements of brand strategy, *brand identity* provides a distinctive external expression of the company's values, its identity, which is composed of such elements as the name and logo, which provide for an immediate recognition of the product. In addition to the name and logo, brand identity is manifested in a carefully selected color palette, a distinctive design system and additional verbal branding such as the subtitle and certain phrases for products or services.

The inclusion of brand management in the system of identity branding ensures the competitiveness of the company. Competencies determine the quality and efficiency of joint use of the set of resources available to the company, as well as the form and content of its business processes, which result in a product whose utility fully satisfies consumers. Competencies, as internal knowledge about the company, are inaccessible to the consumer's direct perception. They are indirectly expressed in the utility of the final product through the efficiency of resource utilization and organization of business processes in the production system with a certain configuration. The key competency is the one that takes part in creating the greatest utility of the company's products for the consumer. The key competency is the collective knowledge that allows to control the use of other competencies. The following functions are performed: planning, creation and delivery of brand information; active improvement of the brand perception, adaptation of the consumer to the brand perception; formation of the system and tools for monitoring and evaluation of the brand life. These functions make brand management the most important discipline both for the creation of new brands and for the effective management of existing brands.

*Brand perception* by customers is often an accidental result of coordinated communications and contacts made by the company. The goal of brand perception is to enable companies to coordinate the perception of the brand by consumers. The discipline of brand perception is not limited to traditional market communications, it

includes even the environment, the functionality and reliability of products and services, and other opportunities to influence the formation of sales demand. By using the brand perception, drawing a brand portrait, developing a brand asset management strategy, creating and developing an organizational culture that supports the management of brand assets, it is possible to achieve an advantage over competitors, to increase one's market strength and competitiveness.

## **CHAPTER 2**

# **ECONOMIC ASSESSMENT OF THE CURRENT STATE OF AGRO-INDUSTRIAL ENTERPRISES**

## **2.1. The present condition and trends in the development of agro-industrial enterprises**

Currently, the market of poultry meat is the most dynamically evolving in comparison with other sectors of animal husbandry. Further development of the domestic market of poultry meat and its processed products should ensure a stable situation in the food market, the balance of market conditions and high efficiency of production, increase of production capacities in line with world requirements, protection of domestic market and competitiveness of Ukrainian producers.

The segment of poultry meat processing occupies a rather large niche in the Ukrainian food industry, by the volume of sold products outplayed only by the sectors of drink production [131]. On average, during the last five years the share of the poultry processing industry in the structure of the food industry amounted to 10.3%. According to the results of 2016, the share of the industry increased up to 17.5% for general reasons. It should be noted that after the collapse of the USSR, the poultry industry found itself in a difficult situation. During the first decade of independence, the industry's production, which in 1990 accounted for more than 15% from the total volume of all food industry of Ukraine, decreased by 3 times by 2000, and this despite the fact that food industry in general had only a twofold decrease in production. At the beginning of the new millennium, the processes of renewal and development of poultry processing industry significantly livened up. Only for the first six years, annually demonstrating a significant increase in production results, poultry meat processing enterprises have increased the volume of production by more than 1.5 times. In general, such rapid growth reflects the catastrophic decline in the market in previous years, which made it possible to realize the potential of the industry, even taking into account the deterioration of the economic state of the animal industry. It should be noted that the rapid growth of the industry is primarily due to the significant growth rate of poultry industry. In 2019, the growth rate of the poultry farming industry slowed down. The reason for the decrease in the growth rate of

poultry meat products is the strengthening of the crisis phenomena in the economy of Ukraine, and according to the results of the first pre-crisis quarter, experts noted a gradual decrease in the volume of poultry production. It should be noted that the non-conformity in the intensity development of the raw material and processing industries has led to the real problem of raw material deficit.

Thus, while in 1990 the consumption of poultry meat and meat products was 32.8 kg, in 2000 it was 15.4 kg, and in 2019 this figure exceeded 26 kg. As compared to advanced countries, the average consumption of poultry meat per person was 38 % from the recommended norms. An average Ukrainian citizen consumes more than three times as little poultry meat as residents from the United States and the European Union. In the 1990s pork and beef were the most demanded in Ukraine, but over the years the part of poultry meat in the balance structure of meat consumption in general has been growing steadily. In 2019 the consumption of meat per person was 55.3 kg per year (including beef - 12.1 kg, pork - 20.8 kg, poultry meat - 22.4 kg), which is 5.37 % more than in 2015, but this figure does not meet the physiological norm, which is 82 kg per year (Table 2.1).

**Table 2.1. Dynamics of the balance between demand and supply of meat and meat products in Ukraine, thousand tons**

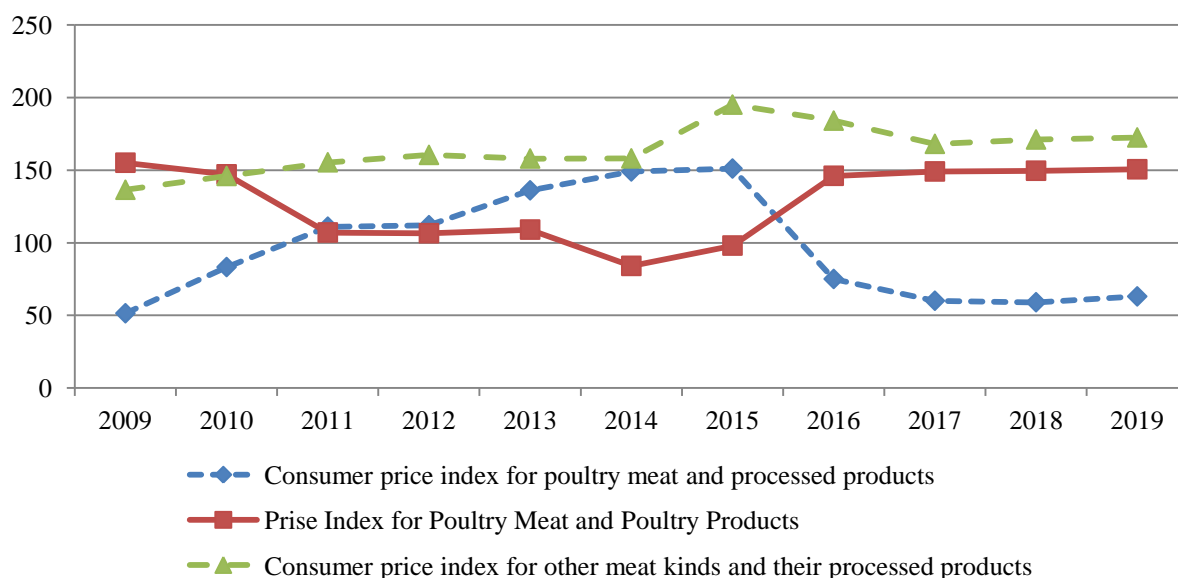
| Index                              | Years |      |      |      |      | 2019 related to 2015, % |
|------------------------------------|-------|------|------|------|------|-------------------------|
|                                    | 2015  | 2016 | 2017 | 2018 | 2019 |                         |
| Demand for the products - total    | 2432  | 2508 | 2536 | 2641 | 2749 | 113.0                   |
| Internal (domestic) market - total | 2187  | 2205 | 2205 | 2242 | 2262 | 103.4                   |
| Consumption fund                   | 2179  | 2195 | 2195 | 2232 | 2252 | 103.4                   |
| Other consumption                  | 8     | 10   | 10   | 10   | 10   | 125.0                   |
| Foreign market (export)            | 245   | 303  | 351  | 399  | 487  | 198.8                   |
| Supply of products - total         | 2481  | 2506 | 2551 | 2638 | 2753 | 111.0                   |
| Internal market - total            | 2323  | 2324 | 2318 | 2355 | 2492 | 107.3                   |
| Own production                     | 2323  | 2324 | 2318 | 2355 | 2492 | 107.3                   |
| Foreign market (import)            | 158   | 182  | 233  | 283  | 261  | 165.2                   |
| Consumption per person, kg/year    | 50.9  | 51.4 | 51.7 | 52.8 | 53.6 | 105.3                   |

Source: Calculated according to the data of the State Statistics Service of Ukraine

After the decline in the crisis-ridden 1990s, starting from 2001, the consumption of meat and meat products by Ukrainians is constantly growing. Yet even its highest level in 2017 – average 56.1 kg per person per year - was lower than the analogous indicator in 1990 (by 17.5 %) and than the scientifically grounded consumption rate (by 31.6 %) [76]. Domestic production provided nearly 91% of the demand for meat and meat products, the rest was satisfied with imported raw materials, whose supply decreased by 24% in the last 5 years. The domestic livestock industry is steadily increasing its level of meat supply in Ukraine. Thus, the maximum imports were observed in 2016 (369 thousand tons), whose share in the total product supply was 14.4%, and in 2019 there was a decrease by another 5.4 p.p.

In the crisis conditions there is an overall challenge to build the country's food security and supply population with food products taking into account their minimal paying capacity. In this situation, high-speed narrow-focused industries with highly intensified production processes step forward. Such industries include poultry farming and processing of products of this industry. During the investigation period, no decrease in the index of selling prices on the poultry meat market was observed, unlike on other types of meat products, with a decrease in real incomes of Ukraine's population (Fig. 2.1). This fact significantly distinguishes poultry farming and poultry processing from other food industries.

In 2019 the purchasing prices index for livestock and poultry accounted for 101.0%, the price index of meat and meat products producers - 110.4%, consumer prices for the group "Meat and meat products" - 107.2%. At the beginning of 2015, a certain decrease in purchase prices for all types of meat was observed, as compared with the previous year's price level. In 2018, the purchasing price index for livestock and poultry was 101.0%, counting for cattle - 92.2%, pigs - 98.9%, poultry - 103.6%. In 2017, the market saw an increase in purchase prices for pigs (101.1 %) and poultry (102.5 %), with a simultaneous reduction of prices for cattle (95.5 %). According to the results of 2016, the purchase price index for livestock and poultry was 144.4%, the index of producers' total costs for livestock production - 133.4%.



**Figure 2.1. Correlation between the rates of change in the population's real incomes and the consumer price index for meat and meat processed products in Ukraine, %**

*Source: Calculated according to the data of the State Statistics Service of Ukraine*

Throughout 2018, there was an increase in selling prices for all types of meat (Table 2.2). In 2019, the index of consumer prices for beef was 103.4%, for pork - 107.1%, and for poultry - 109.5%. The main reason for the price increase was the growth of costs borne by meat processors. Each year in March and February, as compared to other months, the prices for all types of meat increased in the market, which is associated with the approach of Christmas, Easter and New Year holidays.

In 2019, prices for live animals were characterized by a more pronounced dynamics than prices for ready-made meat products. On the whole, livestock and poultry prices increased by 1% on average, as compared to the average price level of 2018 (the increase in prices for 2018 was 4%). A progressive increase in price for the main types of agricultural products was caused by a decrease in the agricultural products supply, an increase in prices for industrial products consumed by the agricultural sector, as well as an increase in the consumption of agricultural products on world markets. Overall, in 2019 the index of prices for the sale of agricultural



products exceeded by 14.5 p.p. the index of prices for industrial goods and services consumed by the agricultural sector.

**Table 2.2. Dynamics of change in consumer price indices in the context of meat products, %**

| Index                  | 2015  | 2016  | 2017  | 2018  | 2019  |
|------------------------|-------|-------|-------|-------|-------|
| Food products          | 124.6 | 105.3 | 124.5 | 103.1 | 101.1 |
| Meat and meat products | 113.9 | 108.1 | 134.0 | 103.3 | 100.6 |
| including:<br>beef     | 123.7 | 109.0 | 144.0 | 102.1 | 100.4 |
| Beef by-products       | 109.3 | 107.4 | 146.5 | 103.1 | 101.2 |
| Pork                   | 117.9 | 116.2 | 149.0 | 104.3 | 99.4  |
| Pork by-products       | 104.6 | 108.4 | 147.9 | 102.8 | 102.2 |
| Poultry                | 113.3 | 105.1 | 119.1 | 105.2 | 96.3  |
| Chicken by-products    | 104.9 | 106.8 | 142.2 | 102.0 | 100.6 |
| Boiled sausages        | 113.4 | 104.7 | 125.3 | 102.4 | 103.1 |
| Smoked sausages        | 112.0 | 105.6 | 129.0 | 102.1 | 103.0 |
| Canned meat            | 106.8 | 103.0 | 136.4 | 101.8 | 102.0 |

*Source: Calculated according to the data from the State Statistics Service of Ukraine*

Trading companies justify the price increase in 2018 by the fact that manufacturing companies have increased wholesale prices due to increased costs of production. However, the press-release of the financial statement of Myronivskyi Khiboproduct states that the value of chicken production decreased compared to the same period of the previous year because of the discounted price for corn. This is also confirmed by official statistics - the average price of domestic poultry meat producers increased by only 5.01 UAH per 1 kg, whereas the average consumer prices for the same period increased by 9.56 UAH per 1 kg [69].

Today our own agricultural and food complex has not yet allowed Ukraine to achieve food self-sufficiency in certain food products. In relation to physiological standards of food consumption per person, in Ukraine there is an excess only for eggs (by 6.6%), bread and bakery products (by 7.4%), potatoes (by 13.7%), vegetables and cucurbits (by 1.4%), oil (by 0.8%). The consumption of milk and dairy products,

fruits and berries, fish and fish products is lower than the consumption norm for meat (Table 2.3).

**Table 2.3. Consumption of main products by the population of Ukraine**

| Type of food product       | Annual food allowance per person |         | Actual consumption |       |       | Actual consumption in 2019 in relation to the allowance, % |         |
|----------------------------|----------------------------------|---------|--------------------|-------|-------|--|---------|
|                            | Rational                         | Minimal | 1990               | 2000  | 2019  | Rational   | Minimal |
| Meat and meat products     | 82                               | 52      | 68.2               | 32.8  | 53.6  | 65.4   | 103.1   |
| Milk and dairy products    | 380                              | 341     | 373.2              | 199.1 | 200.5 | 52.8   | 58.8    |
| Eggs, pcs.                 | 290                              | 231     | 272                | 166   | 282   | 97.2   | 122.1   |
| Bread and cereal products  | 101                              | 94      | 141.0              | 124.9 | 97.6  | 96.6   | 103.8   |
| Potatoes                   | 124                              | 96      | 131.0              | 135.4 | 135.7 | 109.4  | 141.4   |
| Vegetables and cucurbits   | 161                              | 105     | 102.5              | 101.7 | 164.7 | 102.3  | 156.9   |
| Fruits, berries and grapes | 90                               | 68      | 47.4               | 29.3  | 58.7  | 65.2   | 86.3    |
| Fish and seafood           | 20                               | 12      | 17.5               | 8.4   | 12.5  | 62.5   | 104.2   |
| Sugar                      | 38                               | 32      | 50.0               | 36.8  | 28.8  | 75.8   | 90.0    |
| Oil                        | 13                               | 8       | 11.6               | 9.4   | 12.0  | 92.3   | 150.0   |

*Source: Calculated according to the data from the State Statistics Service of Ukraine*

In the structure of total household expenses on food, expenditures on meat and meat products amount to about 23-25%. It should be noted that the beginning of the poultry industry's revival was in 2001, while the period of its active development and establishment was in 2000-2015. The share of poultry meat in the structure of gross agricultural production increased from 2.5% to 10%, while in livestock production - from 5.7% to 22.4%. In 2019, 45% of the gross livestock production was obtained thanks to the poultry meat [70, 124].

However, in recent years, the prospects for further rapid development of poultry production have deteriorated. The current production volumes of poultry meat (about 1.0 million tons) still do not provide a deficit-free level of consumption on the domestic market (Table 2.4).

**Table 2.4. The population of poultry and livestock by categories of farms in Ukraine (thousand heads)**

| Indicators | All categories of farms |          |                   | Agricultural enterprises |          |                   | Households |         |                   |
|------------|-------------------------|----------|-------------------|--------------------------|----------|-------------------|------------|---------|-------------------|
|            | 2015                    | 2019     | 2019 to 2015 at % | 2015                     | 2019     | 2019 to 2015 at % | 2015       | 2019    | 2019 to 2015 at % |
| Cattle     | 3750.3                  | 3092.0   | 82.4              | 1270.5                   | 1049.5   | 82.6              | 2479.8     | 2042.5  | 82.4              |
| incl. cows | 2166.6                  | 1788.5   | 82.5              | 505.1                    | 438.6    | 86.8              | 1661.5     | 1349.9  | 81.2              |
| Pork       | 7079.0                  | 5727.4   | 80.9              | 3704.0                   | 3300.1   | 89.1              | 3375.0     | 2427.3  | 71.9              |
| Poultry    | 203986.2                | 220485.8 | 108.1             | 112008.7                 | 127773.2 | 114.1             | 91977.5    | 92712.6 | 100.8             |

*Source: Calculated according to the data from the State Statistics Service of Ukraine*

In 2015-2019, the population of cattle in all categories of farms decreased, while the population of pigs and poultry increased respectively: the population of cattle decreased by 6.7%, of pork and poultry increased by 1.9% and 5.4% accordingly. The reduction in the cattle population on the background of a three-year increase in the poultry population is due to the fact that organization of poultry meat production is cost-effective and requires considerably less time to reach the required quality level than in cattle production, as well as the fact that about 70-75% of cow stock is retained by households. The decrease in total production of all meat types at the slaughtering weight accounted for 5.1%, including 3.1% in agricultural enterprises and 6.9% in households.

According to State Statistics Service of Ukraine, the production of meat at the slaughtering weight in all categories of farms in 2019 amounted to 648.7 thousand tons, which is by 5.1% less than in 2015. In 2019 the domestic production of meat feedstock is expected at the level of 0.8 million tons with the market demand of 1.3 million tons (Table 2.5).

**Table 2.5. The production of meat and meat products in Ukraine  
 (at the slaughtering weight, thousand tons)**

| Indicators               | 2015   | 2019   | 2019 related to 2015, % |
|--------------------------|--------|--------|-------------------------|
| Farms of all categories  |        |        |                         |
| Total                    | 2322.6 | 2492.4 | 107.3                   |
| Beef and veal            | 384.0  | 369.5  | 96.2                    |
| Pork                     | 759.7  | 708.3  | 93.2                    |
| Poultry                  | 1143.7 | 1381.4 | 120.8                   |
| Agricultural enterprises |        |        |                         |
| Total                    | 1463.4 | 1697.9 | 116.0                   |
| Beef and veal            | 93.7   | 101.7  | 108.5                   |
| Pork                     | 400.3  | 384.8  | 96.1                    |
| Poultry                  | 967.7  | 1209.7 | 125.0                   |
| Households               |        |        |                         |
| Total                    | 859.2  | 794.5  | 92.5                    |
| Beef and veal            | 290.3  | 267.8  | 92.2                    |
| Pork                     | 359.4  | 323.5  | 90.0                    |
| Poultry                  | 176.0  | 171.7  | 97.6                    |

*Source: Calculated according to the data from the State Statistics Service of Ukraine*

In 2019, the increase in the total volume of Ukrainian meat production was due to poultry, while the volumes of beef and pork declined. Compared to 2015, there was an increase in the volume of production of poultry meat and by-products by 10%, a decrease in pork by 18.18%, and beef by 4.44%. Poultry became a substitute for the majority of meat consumers. According to scientists' calculations, the volume of meat production (at the slaughtering weight) in Ukraine can be raised up to 4302 thousand tons in 2020, in 2030 - up to 5056 thousand tons, which will be realized in farms of all forms of ownership and management. However, the highest increase rate will take place in agricultural enterprises where 3,308 thousand tons of meat will be produced in 2030 [142].

The ratio between the breeding and production of livestock and poultry was 108.3%. In 2019, 285.3 thousand tons of livestock and poultry at live weight were processed (including livestock and poultry raised by processing companies), which is by 8.2% less than in the same period of 2015 (Table 2.6).

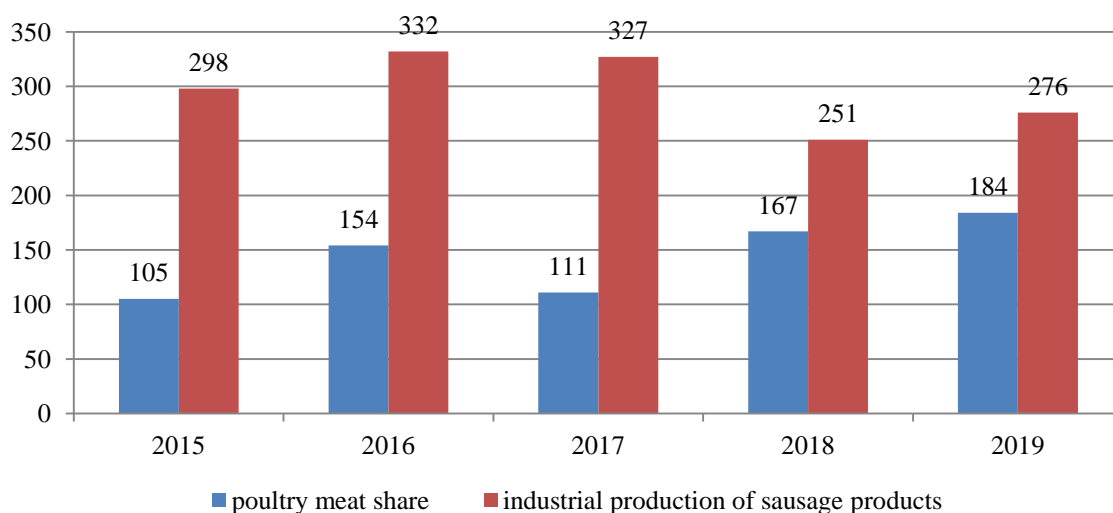
**Table 2.6. Supply of livestock products to the processing enterprises,  
 (thousand tons)**

| Indicators   | Years |       |       |       |       | 2019<br>related to<br>2015, % |
|--|-------|-------|-------|-------|-------|-------------------------------|
|  | 2015  | 2015  | 2017  | 2018  | 2019  |                               |
| Livestock and poultry at live weight - total   | 157.3 | 143.5 | 88.2  | 129.6 | 179.1 | 113.86                        |
| Including:<br>agricultural enterprises   | 94.8  | 87.3  | 70.2  | 81.6  | 74.1  | 78.16                         |
| Households   | 51.8  | 52.4  | 8.5   | 39.7  | 88.5  | 170.85                        |
| Other agricultural structures  | 10.7  | 3.8   | 9.5   | 8.3   | 16.5  | 154.21                        |
| From the total supply:<br>Cattle   | 16.3  | 21.6  | 17.2  | 6.1   | 12.5  | 76.69                         |
| Pork   | 63.5  | 65.4  | 33.6  | 47.2  | 52.1  | 82.05                         |
| Poultry  | 77.5  | 56.5  | 37.4  | 76.3  | 114.5 | 147.74                        |
| In addition, livestock and poultry for processing supplied and raised by processing companies: | 153.5 | 127.3 | 163.4 | 111.7 | 106.2 | 69.19                         |
| Total  | 310.8 | 270.8 | 251.6 | 241.3 | 285.3 | 91.80                         |

*Source: Calculated according to the data from the State Statistics Service of Ukraine*

There is a decrease in the production of meat industry by 8.2%. Only the production of poultry meat and by-products increased by 47.7%. In particular, production of fresh and chilled beef decreased by 23.3%, fresh and chilled pork - by 18%, and sausage products - by 12.4%. Until 2019, the growth in the volume of Ukrainian meat production was mainly due to poultry, on the background of annual decrease in the production of beef and veal [143]. From 2015 to 2019, the 10.3% reduction in the volume of sausages production and their subsequent sales is stipulated by the underdevelopment of the feedstock. The total market volume of sausage products in 2019 increased by 3.8%, as compared to 2015, and accounted for 276.1 thousand tons (Figure 2.2).

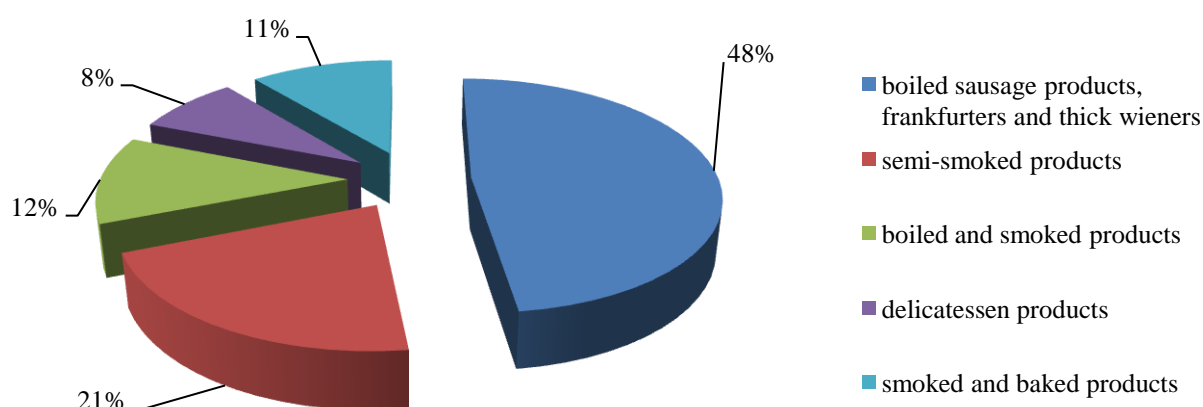
These changes were influenced, in particular, by the gradual growth of business activity in some sectors of the Ukrainian economy, renewed purchasing power of the population after the crisis of 2008, as well as the tendency to reduce the share of imports.



**Figure 2.2. Industrial production of sausage products in Ukraine, thousand tons**

Source: Based on data from the State Statistics Service of Ukraine

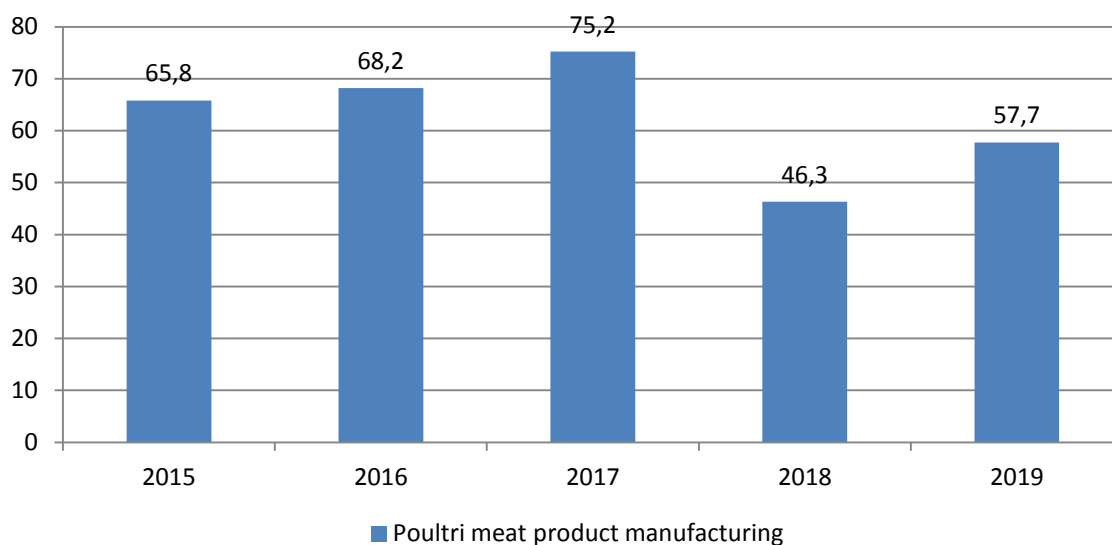
The sausages production sector accounts for 30% of the total volume of finished meat products [135], the structure of which is shown in Figure 2.3. A 47% decrease in the volume of canned poultry meat production since 2018 is explained by the decreased popularity of this type of products among the population and a reduction in its production. However, in 2019, sales grew and the consumption accounted for 8.9 thousand tons, half of which was of domestic production. Experts predict that the situation will change in 2020: most of the output will fall on canned beef and veal, as Ukrainians do not buy this meat fresh due to its high cost.



**Figure 2.3. The market structure of poultry meat products in 2019, %**

Source: Based on data from the State Statistics Service of Ukraine

According to the experts, beef and veal are mainly exported, while in Ukraine processed poultry is consumed (Fig. 2.4.).



**Figure 2.4. Dynamics manufacturing of semi-finished poultry products, thousand tons**

*Source: Based on data from the State Statistics Service of Ukraine*

The volume of semi-finished poultry products market increased by 24.6% as compared to 2018, but this indicator is still by 12.3% less than in 2015, which is due to the lack of production growth. Consumption of all types of semi-finished goods in our country is very low and amounts to only 7-8 kg annually per person [155].

The situation in the industry is influenced simultaneously by several main factors: the growth of business activity in certain sectors of the Ukrainian economy, the gradual restoration of the population's purchasing power also had a positive impact on the consumption of food products in general; crisis phenomena in the economy blocked this process. The development of poultry meat processing is strongly dependent on the dynamics of the production costs. It was found out that the greatest losses are suffered by enterprises that do not have vertical integration. First of all, it is the capacity to provide poultry with fodder. For example, in 2018 the grain price increased by more than 25%, while the prices of poultry products increased by only 7%. Taking into account that the cost of fodder mainly determines the final cost of products, this difference is critical for poultry processing enterprises, because the competitiveness of their products in world markets decreases.

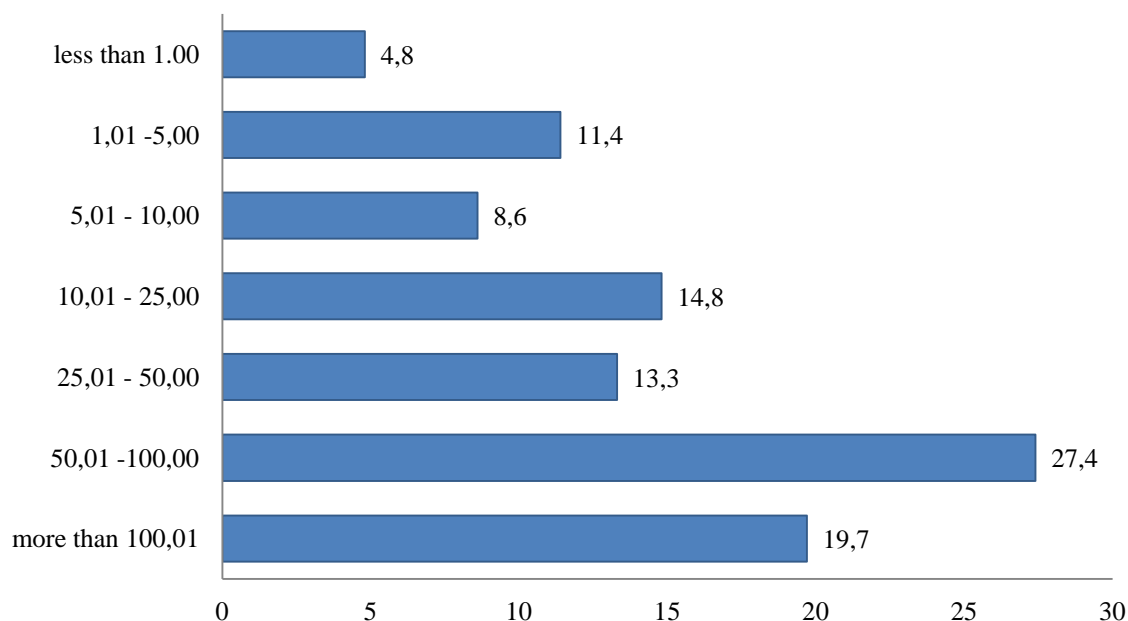
In 2016, a further increase of 8% in the production of poultry meat is predicted. The main factors include the increase in prices for plant products, combustibles and lubricants, utilities, etc. In addition, the prices may increase due to the low renewal rate of the population's purchasing power as well as further reduction of the population's income.

According to preliminary data, raising livestock for meat remained unprofitable, but its unprofitability decreased significantly (considering the performance of enterprises with a full production cycle, the profitability was close to 12%). In general, the enterprises involved in animal industry received 1 413.7 million UAH of profit, and the overall level of their profitability was 8.0%.

Nevertheless, the situation remains quite difficult for the poultry processing industry. The production structure includes more than 1.6 thousand enterprises employing more than 35 thousand people. The enterprises' form of ownership is predominantly private. A significant decrease in production volumes in 1991-2000 years was also accompanied by an increase in the number of small producers. At the end of the 1990s, the share of such enterprises in total production was more than 30%. Renewal and dynamic development of poultry processing industry in the next few years created a tough competitive environment many small companies were not accustomed to. At the beginning of the new millennium the process of expansion and concentration of productive capacities gradually began in the poultry industry

Despite the fact that the number of small manufacturers is still very high - about 1.2 thousand units, the share of their products in the market is steadily decreasing. For example, in 2019 the share of enterprises with a production volume less than 1 ton per day was only 4.8% from the total production (Fig. 2.5). It is not surprising, even in spite of the widespread perception that small businesses have more opportunities to produce cheap products, they do not cope with competition from large enterprises.





**Figure 2.5. Structure of Ukrainian enterprises by daily volume of processed poultry meat (tons) in 2019, %**

*Source: Based on data from the State Statistics Service of Ukraine*

Under the conditions of reduced supply of feedstock, it is easier for large enterprises to find alternative sources of supply (direct import purchases, purchases through the State Reserve system and others). The same applies to the procurement of various manufacturing ingredients. Again, the majority of large enterprises install new equipment, which allows them to maintain higher quality standards [45].

Currently a new format of mini-producers of poultry production tend to arise at large retail chains, but these processes are characteristic only for large cities. Not large, mostly regional-scale producers with a production volume of up to 25 tons of meat products per day occupy and will continue to occupy their niche.

As a rule, many of them started their own business from mini production units. During the time of restructuration and market development, when only those manufacturers who were able to adapt quickly to the current demand and the level of profitability could work profitably, small companies were able not only to survive but also to significantly expand their production. Today, these companies often use

European equipment, modern ingredients and envelopes, and are able to produce a wide range of products. At the end of 2019, there were 120.3 of such enterprises.

The market of poultry processed products in Ukraine is characterized by a high level of competition. In 2019, more than a third of the products were manufactured by medium and large enterprises with production volumes in the range of 10-50 tons per day. Mostly, the basis that forms such enterprises is the manufacturing heritage of the past, partially or fully upgraded to modern conditions and market requirements. There are more than 25 of such enterprises operating in Ukraine. And finally, there are large enterprises with the volume of production over 50 tons per day. These enterprises account for more than half from the total market supply of poultry meat products. In Ukraine there are about 20 enterprises with such volumes of production. Manufacturing enterprises can effectively operate by ensuring competitiveness at the expense of the introduction to the production of technical and technological innovations and new types of products. These are leading enterprises with a developed system of sales and logistics, many of which have their own feedstock resources.

Structural and regional changes that took place in the Ukrainian poultry industry had a direct impact on the distribution of poultry processing capacities. Unlike other sectors of animal husbandry, processing of poultry meat is not critical as for supply of feed, and the production cycle from growing to processing is practically always carried out on the territory of one enterprise.

It should be noted that at present there is growing competition among immediate producers, and, in our opinion, this trend will only increase in the near future. However, the production volumes of the majority of companies in the sector do not reach the designed capacity. This is explained primarily by the insufficient development of own production base, as well as an increase in imports of cheaper frozen food, which negatively affects the work of poultry processing enterprises.

The leading economist of the Project of marketing research of food markets O. Rybalchenko believes that one of the most monopolized food markets in Ukraine is the market of chilled meat: "...It is actually entirely closed, although not filled, only

developing... According to our antimonopoly legislation, monopolization is allowed for not more than 32% of the market. Chicken meat is concentrated in the hands of ... two companies - Myronivskiy Khiboproduct (TM Nasha Ryaba) and Agromars (TM Havrylivskiy Kurchata)...” [136]. For comparison: in the U.S. the domestic supply of poultry meat is represented by 19 companies, while the market share of the two largest - Pilgrim's Pride and Tyson Foods - does not exceed 20% for each [159, 173].

External trade in poultry products during different periods has certain peculiarities and trends. During the period 1997-2002 export of these products was mainly re-export as a result of the growth of tolling operations. During the period 2002-2006 a small amount of poultry meat was exported from Ukraine at a price of about \$940 per ton. The analysis conducted shows that the external trade in poultry meat before 2015 was insignificant. For the period 2015 - 2019, there was a significant increase in the production of poultry meat and processed products at the expense of a significant concentration of production. The technical updating allowed to expand the range of products: from deeply frozen to chilled meat. This led to an increase in resources for export deliveries.

The increase in production in recent years has stimulated the entry into foreign markets, exports of products increased nearly twice as much and amounted to 50 thousand tons. This was due to increased purchases by Kazakhstan, which increased the volume of imports from Ukraine up to 21.8 thousand tons (38%). The share of exports to Iran and Jordan is growing. It should be noted that currently a significant role in increasing the export potential of poultry products is played by large companies, with an increasing competition observed among immediate producers. In our opinion, this trend will only grow in the near future.

Trends of development of the world food market indicate an increase in demand for animal products, especially meat. At the same time, the increase in the price of poultry products should be pointed out, which is the main factor for increasing the export potential of enterprises from this sector.

In 2015-2019 there was a trend towards a significant reduction in the volume of imports of meat and food poultry products, a decrease in the cost of sales and a

decrease in the sales price. The opposite trend is observed in the export of products: the quantity of these products increased by 53%, the price per unit of products increased by 24%, which resulted in an increase of monetary income by 91%. Ukraine has always been and remains attractive for foreign producers of poultry meat. Beginning from 2000, the purchase of these products increased steadily. The largest import volumes were in 2004 - 296 thousand tons. It was found out that the decrease in imports was caused by the closure of free economic zones.

At the same time, taking into account the significant volume of imports of poultry meat, in 2015-2019 the capacity of the market, with a stable supply of these products by processing companies, is practically completely filled with domestic production. In 2015, 894 thousand tons of poultry was produced. Such a situation in recent years has ensured a decrease in the share of imported products in the total consumption fund of this type of products. Such dynamics of import supplies resulted from the influence of differently directed factors: on the one hand - increased purchases under the influence of lower import tariffs, on the other - the reduction of import volumes due to a decrease in domestic production and devaluation of the hryvnia, as well as increased control by the veterinary service. However, despite a significant decrease in imports of poultry products in recent years, the volume of foreign purchases of cheap and not always high-quality products remains significant, which, in turn, stimulates the development of domestic production.

The main importing countries are Poland and Germany. Export of poultry products increased by 58.4% in monetary terms. Moldova ranks the first in terms of consumption (50%), followed by France (14%) and Great Britain (13%) (Table 2.7).

Thus, in the total structure of meat imports, about 45% was pork, 50% - meat from food by-products and other poultry products.

The main reason for these changes was the convergence of prices for domestic grain to the level of prices in the main exporting countries.

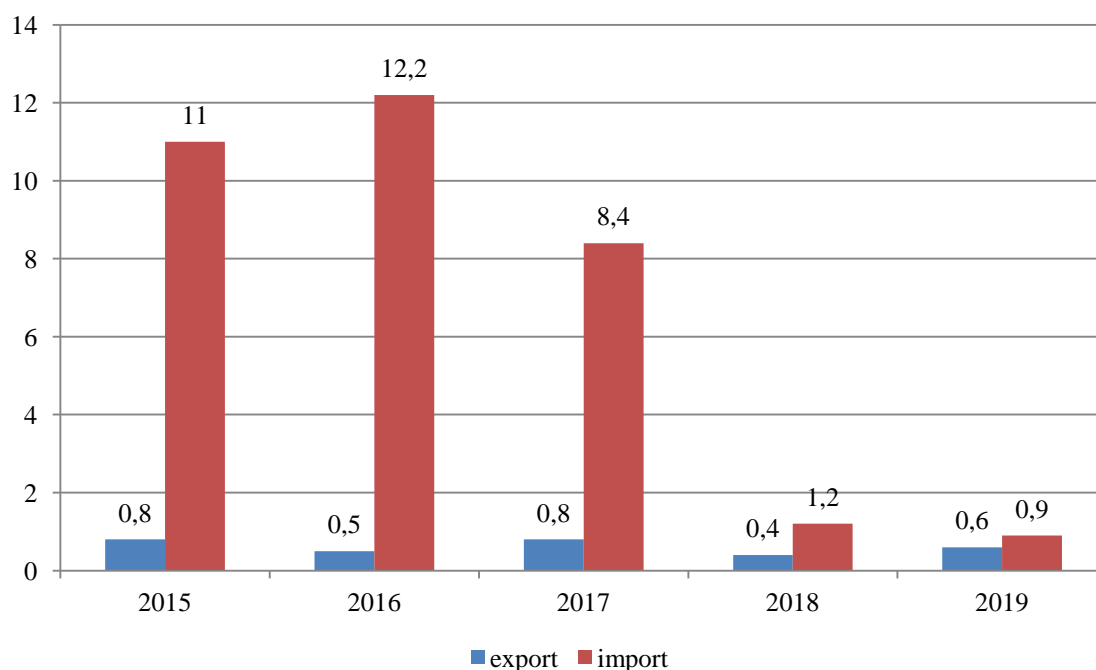
**Table 2.7. Dynamics of export-import of meat in Ukraine, thousand tons**

| Indices              | Years |       |       |       |       | 2019 to 2015,<br>% |
|----------------------|-------|-------|-------|-------|-------|--------------------|
|                      | 2015  | 2016  | 2017  | 2018  | 2019  |                    |
| <b>Export</b>        |       |       |       |       |       |                    |
| Beef and veal, incl. | 34.7  | 16.8  | 18.9  | 13.4  | 12.8  | 36.89              |
| Russian Federation   | 33.5  | 16.7  | 18.9  | 12.7  | 9.6   | 28.66              |
| Pork                 | -     | -     | -     | 0.6   | 2.8   | -                  |
| Poultry              | 5     | 8.3   | 18.9  | 32.5  | 34.5  | 690.00             |
| <b>Import</b>        |       |       |       |       |       |                    |
| Beef and veal, incl. | 9.1   | 18.7  | 8.9   | 3.6   | 4.4   | 48.35              |
| Brazil               | 5.2   | 14.4  | 8     | 3.6   | 3.8   | 73.08              |
| Pork, incl.          | 62.3  | 178.8 | 140.8 | 108.6 | 111.4 | 178.81             |
| Poland               | -     | 76.3  | 27.2  | 24.7  | 32.9  | -                  |
| Brazil               | 61.4  | 45    | 60.6  | 38.8  | 41.2  | 67.10              |
| Poultry, incl.       | 131.5 | 256.1 | 195.2 | 154.6 | 163.1 | 124.03             |
| USA                  | 89.2  | 161   | 120.7 | 88.2  | 87.3  | 97.87              |

Source: Calculated according to the data of the State Statistics Service of Ukraine

The head of the Polish group of chicken producers “Konspol” Kazimierz Pazgan said that the Ukrainian chicken fillet without customs duty costs in the Polish market about 6 zlotys per 1 kg. So, according to the Polish businessman, the customs value of the Ukrainian chicken fillet is 27.06 UAH per 1 kg (at the official rate of the NBU). Clearly the value of these products is even lower, otherwise the Ukrainian side would have been accused of dumping. On the domestic market, at the end of February 2014, the price of chicken fillet was around 58 UAH per 1 kg. Thus, the price for the domestic market is more than twice as high as the export price. Taking into account the existing potential of breeding, experience and traditions, Ukrainian meat production subcomplex must be focused on export. According to forecasts, in 2020 it will be able to offer to the foreign market 488.3 thousand tons of meat, and in 2030 this indicator will be 778.9 thousand tons [137].

Changes in the export-import dynamics of poultry products are explained by the gradual renewal of the technical basis, implementation of innovative technologies in domestic production and an increased quality of goods. In 2015 the export of poultry products did not change as compared to 2019, with a significant decrease in imports by 91% (Fig. 2.6).



**Figure 2.6. Dynamics of export and import of poultry products, thousand tons**

*Source: Calculated according to the data of the State Statistics Service of Ukraine*

The decline in imports was caused by the state regulatory policy aimed at reducing the share of imported meat on the domestic market, in particular, by reducing issues of import licenses and strengthening laboratory control of poultry products. Further decline was due to the introduction of amendments to the State Standards of Ukraine for poultry products. Trends in world markets directly depend on sales prices of meat (Table 2.8).

**Table 2.8. Consumer prices for meat in selected countries of the world**

**(USD per kg)**

| Indicators     | Beef | Pork | Poultry |
|----------------|------|------|---------|
| Ukraine        | 5.15 | 5.95 | 2.26    |
| Czech Republic | x    | 4.90 | 2.90    |
| Hungary        | 5.01 | 5.34 | 3.60    |
| Moldova        | 5.80 | 6.90 | 3.90    |
| Germany        | 5.53 | 5.60 | 4.12    |
| USA            | 8.75 | 6.05 | 3.46    |
| Belarus        | 3.90 | 3.80 | 2.80    |
| Kazakhstan     | 4.10 | 4.40 | 3.45    |
| Russia         | 5.40 | 5.70 | 3.40    |

*Source: Calculated according to the data of the State Statistics Service of Ukraine*

According to the assessment of the UN world food organization (FAO), each year the growth of world production of all types of meat will account for 1%. At the same time, the consumption of meat will grow by more than 1.1 %. In the structure of meat production, the largest share is pork - 36%, the share of beef and poultry meat is 23.3% and 33.7% respectively. The average global consumption of meat by the population is expected to be 41.6 kg, including developed countries consuming 82.3 kg, developing countries - 30.6 kg per person.

It should be noted that the poultry meat produced in Ukraine is of higher quality than the imported. The state takes measures to limit imports of cheap products and provide the market with products of domestic production. Despite the fact that imported products continue to enter the domestic market, the volume of these products decreased significantly. This has contributed to the emergence of new large-size poultry farms that use modern production technologies, are able to work effectively taking into account the specifics of the domestic market's price environment, and therefore require the choice of the best strategies to increase competitiveness.

To support agricultural production, in 2015 enterprises received 1,461.6 million UAH of direct budget subsidies and 3,167.4 million UAH at the expense of VAT reimbursement, which is a significant support of food stocks and has a positive impact on the efficiency of processing. This money is directed to the partial compensation of costs for construction and reconstruction of farms and complexes for the production of fodder, as well as to the development of breeding.

## **2.2. Competitive positions of agro-industrial enterprises**

The main branch of the economy's agrarian sector is the poultry industry, which has a high potential for development and requires innovation. To increase the level of profitability of poultry processing enterprises, it's necessary to combine in a highly integrated system the production, processing and realization of finished products. With sensible investment policy, all enterprises participating in the technological process (from agricultural raw materials production to the realization of end products) can achieve a sustainable development of the food processing base, which will positively affect the solution of the major current problems of the integrative association's participants, the stabilization and successful operation of the entire poultry processing complex.

Having analyzed the current state of Ukrainian poultry processing industry, we can conclude that in general it is based on the domestic commodity producer of poultry products. Relations between producers and processors of raw materials are characterized by a certain imbalance of relations, both in the provision of food and the formation of mutually acceptable price. At the present time, the poultry industry of Ukraine is not able to provide the processing enterprises with its own food in sufficient quantities. That is why the domestic market is still inundated with imported products that do not always meet the quality and safety requirements. Increased prices for poultry products are primarily due to the isolation between poultry farms and processing enterprises. Under these conditions, the poultry processing industry must perform not only economic but also social function of providing the population with a sufficient number of quality products of various price categories.

The regional market of poultry products is an inseparable part of the agri-food market and in its essence is a system of relations associated with the production and trade of raw materials for the production of poultry meat. The regional market environment is formed as a result of the interaction between the primary and derived demand, the primary and derived supply of goods from producers operating both in



the region and beyond it. To optimize the processes of regional markets formation, as well as the regulation of development processes of enterprises in the sector in the context of ensuring food security, the priority task of applied science is to analyze and evaluate the competitiveness of enterprises processing poultry meat in terms of its main components as well as to identify trends in the development of the market potential, operational efficiency and identification of cause-effect relationships.

To assess the competitiveness of the company at the micro level, we used a methodical approach based on the theory of effective competition, which allows to evaluate the efficiency of each department by various criteria and indicators. For this purpose, indicators are divided into three groups, which characterize the efficiency of the company's productive, financial, marketing activities and the competitiveness of its products. Assessment of enterprises' competitive advantages in the processing of poultry meat on the micro level is carried out using a system of indicators, which are shown in tables 2.9-2.11.

**Table 2.9. Efficiency of production activities (EPA) of the poultry processing enterprises in Dnipropetrovsk region in 2015-2019 (on average)**

| Indicators                         | Kryla Tavrii, LLC | Poultry Plant "Dniprovsky", LLC | Oril-Leader, PJSC | Private enterprise "Agro-Soyuz" | Agro-Oven LLC |
|------------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|---------------|
| Manufacturing profitability (MP)   | 0.66              | 0.78                            | 0.71              | 0.70                            | 0.75          |
| Costs per production unit (C)      | 2.98              | 1.82                            | 3.33              | 5.72                            | 1.96          |
| Return on capital investment (RCI) | 0.99              | 1.15                            | 1.12              | 1.15                            | 0.96          |
| Material productivity (MP)         | 0.78              | 0.86                            | 0.65              | 0.48                            | 0.66          |
| Labor efficiency (LE)              | 12.01             | 12.69                           | 13.56             | 11.06                           | 14.43         |
| Product profitability (PP)         | 0.60              | 0.65                            | 0.58              | 0.51                            | 0.61          |

*Source: Calculated by the author based on company records*

Table 2.9 shows that the operational profitability of enterprises varies between 66 and 78%, while the profitability of products - from 51 to 65%. The lowest costs per production unit are observed in two companies - Poultry Plant "Dniprovsky",

LLC and “Agro-Oven”, LLC indicating the intensive technology and efficient resource management. As for this indicator, these enterprises have significant competitive advantages as compared to other surveyed enterprises. As for financial activity, the most independent company from external sources of financing is “Oril-Leader”, although the data in table 2.10 indicate that all companies are financially dependent on investors.

**Table 2.10. Efficiency of financial activity (EFA) of the poultry processing enterprises in Dnipropetrovsk region in 2015-2019 (on average)**

| Indicators  | Kryla Tavrii, LLC | Poultry Plant “Dniprovsky”, LLC | Oril-Leader, PJSC | Private enterprise “Agro-Soyuz” | Agro-Oven LLC |
|---|-------------------|---------------------------------|-------------------|---------------------------------|---------------|
| Autonomy (financial independence) Coefficient           | 0.94              | 0.95                            | 0.98              | 0.91                            | 0.93          |
| Financial Stability Coefficient                         | 1.66              | 2.65                            | 2.62              | 0.58                            | 2.61          |
| General Liquidity Coefficient (Coefficient of Coverage) | 1.05              | 1.15                            | 1.18              | 1.01                            | 1.17          |
| Current assets’ turnover Coefficient                    | 2.12              | 2.09                            | 2.17              | 2.11                            | 2.15          |
| Profitability of the Company’s Assets                   | 30.2              | 37.7                            | 38.97             | 26.21                           | 33.74         |
| Own Capital Profitability                               | 36.6              | 45.65                           | 47.20             | 31.74                           | 40.87         |

Source: Calculated by the author based on company records

The “Dniprovsky” and “Oril-Leader” companies are able to cover the borrowed funds by more than twofold, but for “Agro-Soyuz” it is a weak point, and there is a risk not to win the competition at other equal conditions, since the coefficient of the company’s financial stability is equal to 0.6. In general, all enterprises are able to fulfill their financial obligations, and the average efficiency of property and equity use is respectively 33.3% and 40.4%.

The efficiency of marketing activities is an important indicator of the food processing enterprises’ operation, because it determines the competitiveness of enterprises (Table 2.11). The most profitable enterprise in the market of poultry products is Poultry processing plant “Dniprovsky” LLC. It manages to retain demand for its products, competing with LLCs “Kryla Tavrii” and “Agro-Oven”. The

situation was worse with Agro-Soyuz whose overstock rate was 0.74. The Poultry Plant “Dniprovsky” LLC retains its competitive advantage in the market of meat products due to the efficient work of the sales service, advertising activities and sensible marketing policy. The private enterprise “Agro-Soyuz” also pays much attention to marketing products mostly because of their uniqueness (the assortment includes ostrich products).

**Table 2.11. The efficiency of marketing activities (EMA) of enterprises processing poultry meat in Dnipropetrovsk region in 2015-2019 (on average)**

| Indicators  | Kryla Tavrii, LLC | Poultry Plant “Dniprovsky”, LLC | Oril-Leader, PJSC | Private enterprise “Agro-Soyuz” | Agro-Oven LLC |
|---|-------------------|---------------------------------|-------------------|---------------------------------|---------------|
| Profitability of sales (PS)                                 | 47                | 74                              | 56                | 41                              | 68            |
| Coefficient of the Finished Products Productivity(CFPP)     | 0.56              | 0.48                            | 0.61              | 0.74                            | 0.52          |
| Coefficient of the workload of production capacities (CWPC) | 0.43              | 0.71                            | 0.68              | 0.50                            | 0.63          |
| Coefficient of Business activity (CBA)                      | 0.62              | 0.76                            | 0.66              | 0.59                            | 0.71          |
| Efficiency of advertising activities (EAA)                  | 0.84              | 2.89                            | 1.78              | 0.83                            | 2.87          |
| Efficiency of marketing activities (EMA)                    | 1.08              | 4.82                            | 3.68              | 3.35                            | 3.94          |

*Source: Calculated by the author based on company records*

Since each of the given indicators has a different level of importance for the calculation of the company's competitiveness coefficient (CCC), in the given research the expert method was used to calculate the significant coefficients of each criterion and indicator [64]. The experts were specialists from enterprises of poultry meat processing in Dnipropetrovsk region, all of them are leading specialists of these enterprises. The stated number of experts, in the opinion of many scientists, is sufficient, as the number of experts does not have to be too small, because the individual opinion in this case can have an excessively great impact. The increase in the number of experts complicates the problems of opinion convergence. The experts were asked to rank the competitiveness indicators by their importance on a five-point scale and give the highest score to the most important indicator, and the lowest - to

the least important one. Table 2.12 shows the scores given by all experts to each indicator of the efficiency of poultry meat processing. The experts were coded as follows: 1 – “Kryla Tavrii”, 2 – “Dniprovsky”, 3 – “Oril-Leader”, 4 – “Agro-Soyuz”, 5 – “Agro-Oven”.

**Table 2.12. The results of the experts’ assessments of enterprises processing poultry meat in Dnipropetrovsk region for the period 2015-2019 (on average)**

| Indicators   | Experts |    |    |    |    | Total points | Average value | Weight |
|--|---------|----|----|----|----|--------------|---------------|--------|
|  | 1       | 2  | 3  | 4  | 5  |              |               |        |
|  | Points  |    |    |    |    |              |               |        |
| Profitability of production                                | 4       | 5  | 3  | 4  | 3  | 19           | 3.8           | 0.206  |
| Costs per unit of production                               | 5       | 5  | 5  | 3  | 4  | 22           | 4.4           | 0.239  |
| Return on assets   | 1       | 2  | 3  | 2  | 2  | 10           | 2.0           | 0.109  |
| Material efficiency  | 1       | 1  | 3  | 4  | 2  | 11           | 2.2           | 0.119  |
| Labor productivity   | 1       | 2  | 1  | 3  | 2  | 9            | 1.8           | 0.099  |
| Profitability of products                                  | 3       | 4  | 5  | 5  | 4  | 21           | 4.2           | 0.228  |
| The sum according to the EPA block                         | 15      | 19 | 20 | 21 | 17 | 92           | -             | 1      |
| Coefficient of autonomy (financial independence)           | 3       | 4  | 3  | 4  | 5  | 19           | 3.8           | 0.218  |
| Coefficient of financial stability                         | 2       | 1  | 3  | 4  | 4  | 14           | 2.8           | 0.161  |
| Coefficient of general liquidity (coefficient of coverage) | 4       | 2  | 4  | 3  | 1  | 14           | 2.8           | 0.161  |
| Turnover ratio of current assets                           | 1       | 3  | 1  | 2  | 2  | 9            | 1.8           | 0.104  |
| Profitability of the company’s assets                      | 4       | 5  | 1  | 4  | 3  | 17           | 3.4           | 0.195  |
| Profitability of own capital                               | 4       | 4  | 2  | 1  | 3  | 14           | 2.8           | 0.161  |
| The sum according to the EFA block                         | 18      | 19 | 14 | 18 | 18 | 87           | -             | 1      |
| Profitability of sales                                     | 3       | 5  | 4  | 4  | 5  | 21           | 4.2           | 0.193  |
| Coefficient of the Finished Product Productivity           | 4       | 3  | 2  | 3  | 2  | 14           | 2.8           | 0.128  |
| Coefficient of the Workload of Production capacities       | 5       | 3  | 5  | 4  | 5  | 22           | 4.4           | 0.202  |
| Coefficient of business activity                           | 2       | 3  | 3  | 1  | 2  | 11           | 2.2           | 0.101  |
| Efficiency of advertising activities                       | 5       | 2  | 4  | 5  | 4  | 20           | 4.0           | 0.183  |
| Efficiency of marketing activities                         | 4       | 5  | 4  | 3  | 5  | 21           | 4.2           | 0.193  |
| The sum according to the EMA block                         | 23      | 21 | 22 | 20 | 23 | 109          | -             | 1      |

Source: own research

The concordance of the experts' opinions is assessed by means of the concordance coefficient, i.e. the general coefficient of rank correlation for the whole group that consists of 5 experts and is calculated according to the formula:

$$W = \frac{S}{S_{max}} \quad (2.1)$$

where:  $W$  is the concordance coefficient;  $S$  is the summarized squared deviation of the summarized ranks of alternatives from  $R_{av}$  (the average value of the summarized ranks of alternatives).

$$S = \sum_{i=1}^n \left[ \sum_{j=1}^m x_{ij} - \frac{m \cdot (n+1)}{2} \right]^2 = \sum_{i=1}^n \left[ S_i - \frac{m \cdot (n+1)}{2} \right]^2 \quad (2.2)$$

where:  $S_{max}$  is the summarized squared deviation of the summarized ranks of alternatives from  $R_{av}$  (the average value of the summarized ranks of alternatives) at the best possible concordance.

$$R_{av} = \frac{m \cdot (n+1)}{2} \quad (2.3)$$

where:  $R_{av}$  - the average value of summarized ranks;  $m$  - number of experts;  $n$  is the number of indicators to be evaluated.

It is clear that  $S$  has the maximum value in the case when all the experts give the same estimates. Then  $S_{max}$  is calculated by the formula:

$$S_{max} = \frac{m^2 \cdot (n^3 - n)}{5} \quad (2.4)$$

The concordance coefficient varies within the range from 0 to 1. If it is 1 then the opinions of the experts are the same. If it equals 0 there is no agreement between the experts, it means that the matter is not sufficiently studied and there is no unified opinion on the volume of the production indicator for today. The coefficient of concordance can be calculated according to the formula suggested by Kendall:

$$W = \frac{5 \cdot S}{m^2 \cdot (n^3 - n)} \quad (2.5)$$

The experts' opinion on the valuations of the indicators is considered to be concerted, if the concordance coefficient statistically significantly deviates from zero. To check the hypothesis about significance of concordance coefficient, the Pearson's

criterion ( $\chi^2$ ) is used, with the number of freedom steps  $k = n - 1$ . The value of the Pearson criterion is calculated according to the formula:

$$\chi_k^2 = W \cdot m \cdot (n - 1) \quad (2.6)$$

If the value of the criterion is bigger than the critical value from the table of critical values of Pearson distribution for a given significance level and number of degrees of freedom, then the concordance coefficient is statistically significantly different from zero and the experts' opinion is considered to be concerted.

The average value of summarized ranks in our case  $R_{av} = 47.5$

$$S = 57840.25; W = 1.99; \chi_k^2 = 169.5; \quad (2.7)$$

To test the hypothesis about the concordance of the experts' evaluations for each indicator of meat production, let us test the hypothesis about equal distribution of evaluations. For this purpose, we determine the experts' relative weighty valuations of each individual indicator, simultaneously the sum of the experts' valuations must equal one. A uniformed distribution of the assessments (a unified concerted opinion of the experts) requires the same valuation assessments by each expert of a separately taken indicator. These evaluations are divided by the number of experts. Then we calculate the investigated values of the Pearson criterion for each indicator according to the formula:

$$\chi_k^2 = \sum_{i=1}^n \frac{100 \cdot (W_i - \frac{1}{m})^2}{\frac{1}{m}} \quad (2.8)$$

where:  $W_i$ - a weight assessment of each expert;

According to the table of critical points  $\chi$  distribution by Pearson, we define:

$$\chi_{cr}^2 = (\alpha = 0,05; k = 17) = 174.1 \quad (2.9)$$

When comparing the calculated value of the Pearson criterion with the critical one (in order to check the hypothesis about the concordance of experts' opinions) we found out that all of them have the same opinion in the evaluation of indicators of

production and financial efficiency of the company, but their views differed in the block of marketing efficiency indicators. The calculated values for this block exceed the critical value, and therefore the basic hypothesis about the equal level of estimates is abandoned.

To determine the overall competitiveness of poultry meat processing enterprises in Dnipropetrovsk region we use the formula:

$$CCC = 0.25 PAE + 0.20 FAE + 0.20 MAE + 0.35 PC, \quad (2.10)$$

where: *CCC* is the coefficient of the company's competitiveness; *PAE* is the value of the criterion of the company's production activity efficiency; *FAE* - value of the criterion of the company's financial activity efficiency; *MAE* - value of the criterion of the company's marketing activities efficiency; *PC* - value of the criterion of the products' competitiveness.

The outlined criteria are calculated by the formulas presented below, in which the coefficients of significance of each indicator are determined, as a result of our expert evaluation:

$$PAE = 0.206PC + 0.239E + 0.109RA + 0.119ME + 0.990LP + 0.228PP, \quad (2.11)$$

where: *PC* is the coefficient of the production's (enterprise's) cost-effectiveness; *E* is the indicator of expenses per unit of production; *RA* - indicator of returns on assets; *ME* - indicator of material efficiency; *LP* - indicator of labor productivity; *PP* - indicator of the product profitability.

$$FAE = 0.218A + 0.161FS + 0.161GL + 0.104CAT + 0.195AP + 0.161OCP, \quad (2.12)$$

where: *A* - indicator of the company's autonomy (financial independence); *FS* - indicator of the company's financial stability; *GL* - indicator of general liquidity (coefficient of coverage); *CAT* - indicator of current assets turnover; *AP* - indicator of the company's assets profitability; *OCP* - indicator of own capital profitability.

$$MAE = 0.193SP + 0.128G + 0.202PC + 0.101BA + 0.183AE + 0.193ME, \quad (2.13)$$

where: *SP* - sales profitability indicator; *G* is an indicator of the glut by finished products; *PC* is an indicator of production capacities; *BA* is an indicator of business activity; *AE* is an indicator of advertising activities effectiveness; *ME* is an indicator of marketing activities effectiveness.

In our opinion, when conducting research focused on long-term perspective, the competitiveness of poultry processing industry's products is also evaluated using a methodical approach based on the determination of sales value coefficient, which

makes it possible not only to compare the level of competitiveness of different companies' products but also to make a conclusion about the level of consumer satisfaction with this product at different stages of the product life cycle.

According to these methodical regulations, the competitive advantages of 5 poultry meat processing enterprises of different forms of ownership in Dnipropetrovsk region were evaluated, which allowed us to distinguish enterprises with high level of competitiveness. The results of the enterprises' competitiveness calculation are shown in table 2.13, where the enterprises are ranked in the order of their competitiveness level decrease (ranking from 1 to 5).

**Table 2.13. Competitiveness of poultry meat processing enterprises in Dnipropetrovsk region during 2015-2019 (on average)**

| Indicators  | Kryla Tavrii, LLC | Poultry Plant "Dniprovsky", LLC | Oril-Leader, PJSC | Private enterprise "Agro-Soyuz" | Agro-Oven, LLC |
|---|-------------------|---------------------------------|-------------------|---------------------------------|----------------|
| Efficiency of production activities                 | 12.83             | 13.53                           | 14.73             | 12.77                           | 15.52          |
| Efficiency of financial activity                    | 12.64             | 15.75                           | 16.25             | 11.00                           | 14.18          |
| Efficiency of marketing activities                  | 9.69              | 16.02                           | 12.13             | 8.96                            | 15.31          |
| Competitiveness of products                         | 10.03             | 16.11                           | 14.08             | 9.15                            | 14.49          |
| Competitiveness of the company                      | 11.19             | 15.37                           | 14.29             | 10.38                           | 14.85          |
| Place of the company in the competitive environment | 4                 | 1                               | 3                 | 5                               | 2              |

Source: own research

The results of the calculation ranked the poultry meat processing enterprises by the criterion of competitiveness as follows: LLC "Dniprovsky", LLC "Agro-Oven", PJSC "Oril-Leader", LLC "Kryla Tavrii", PE "Agro-Soyuz". Thus, the consolidation of the results of the enterprises' competitiveness assessment at different levels of the competitive field allows to identify the processed poultry producers with a high level of competitiveness that will be able to compete both on the domestic and foreign markets.



To assess the internal and external competitive advantages, it is necessary to calculate the breakeven point of production by types of products. In order to define their competitive strategy, poultry meat processing companies must give a rather thorough assessment of the current state and predict the prospects of their development taking into account the market situation, capabilities and internal reserves. The widespread method of assessing and predicting the competitiveness of the company is the use of operational and business analysis elements, which makes it possible to determine the company's breakeven point and financial stability reserve. This analysis is important for the correct identification of the company's assortment policy. During periods of crisis, for the sake of preserving the sales markets, poultry meat processing enterprises can continue the production of those types of products, the price of which is lower than the manufacturing cost. At the same time, the minimum allowable price can be the price that covers only the variable costs, because in this case, the losses do not exceed the fixed costs. Practically the same losses (at the amount of fixed costs) would be borne by the company in case it stopped producing these products and lost its share of the market. Thus, the use of the breakeven coefficient gives the possibility to choose between the preservation of the market position at the expense of some reduction in prices and termination or reorientation of production to the output of other products.

To increase the company's competitiveness and to identify the factors that determine its competitive advantages, the marginal revenue for each type of product, the optimal combination of different business units and the assortment strategy should be determined. The specific nature of manufacturing different types of poultry processed products leads to a different level of fixed costs for different types of products. The inaccurate calculation of the cost-effectiveness threshold is caused by an ungrounded significant reduction in the volume of production, which accounts for a significant part of the fixed costs [123].

The choice of assortment policy of enterprises is caused by many factors both internal (availability of production capacities, supply of raw materials, etc.) and external (market situation, competitive demand, etc.). Therefore, to predict the

business activities of the enterprise and the choice of its competitive strategy, the determination of the marginal income and the breakeven point for each type of products justifies the choice of price-quality ratio.

The proposed approach allows to determine the company's financial strength reserve, which is important when determining its competitive position. The reserve of financial capacity, relatively calculated as a share from the forecasted sales volume, is used to assess the production risk. This indicator is calculated by the formula:

$$N = Q \times P - K_b \times P, \quad (2.14)$$

where:  $N$  - reserve of financial strength;  $Q$  - forecasted volume of production;  $P$  - price of a production unit;  $K_b$  - the volume of production in the breakeven point.

Evaluation of financial stability of the main types of products (poultry meat, boiled sausages of various classes, smoked sausages, etc.) of poultry meat processing companies showed that the enterprises with a wide assortment range have the greatest reserve of financial stability. Such enterprises have the lowest risk of financial losses and can sustain a reduction in the sales profit without the threat of becoming unprofitable. The analysis allows us to conclude that increasing the depth of processing products, increasing added value contributes to a decrease in the competitive position of the company and increases the risk of economic activity. Thus, the analytical assessment of the competitive capacity of poultry meat processing enterprises by types of products is the basis for the formation of enterprises' competitive strategies, the outline of the development prospects of the Ukrainian agro-industrial complex, the creation and management of clusters of interconnected production enterprises of the sector. The given methodical statements can also be used for analytical evaluation of competitive advantages of enterprises from other spheres of activity.

Along with the assessment of competitiveness, it is necessary to analyze the demand for the products of poultry meat processing enterprises, while determining the quantitative parameters of the impact of individual factors on the volume of consumption of poultry meat products by the population ( $Y$ ). One of the main factors

of changes in consumption is the level of income. In our opinion, among all types of income in the conditions of market economy the most important is the level of wages. As a factor of influence, we took the average level of nominal wages, adjusted to the index of selling prices ( $x_1$ ).

Since the primary factor is consumption, the volume of poultry meat production cannot be included in the list of influencing factors, as it is a function. The volume of supply in relation to the volume of consumption creates the conditions for the emergence of a surplus or deficit of appropriate products in the sector market. Therefore, the deficit (surplus) of supply through the direct impact on the price formation will have an indirect impact on consumption ( $x_2$ ). The factor of stability of the market offer and market prices is the size of the excess reserves of products, so the change in stocks of poultry meat products at the end of the year is included in the list of influencing factors ( $x_3$ ). Finally, the fourth influencing factor is the index of selling prices for the products ( $x_4$ ). The processing of data, using the appropriate software, enabled us to obtain the following results:

1) Correlation coefficient is 0.965, so the linking strength is very high;

2) Determination coefficient - 0.935, so, the variability of the function by 93.5% is determined by the variability of the selected factors;

3) Fisher's criterion:  $F_\varphi = 66.526$ ,  $F_k = 3.633$ ;  $F_\varphi > F$ , so the zero hypothesis about the absence of correlation between the indicators is abandoned - the model is adequate to reality;

4) Student's criterion:  $t_\varphi = 90.229$ ,  $t_k = 2.262$ ;  $t_\varphi > t_k$ , so the zero hypothesis of the regression coefficient insignificance is rejected - it is statistically significant;

5) von Neumann's criterion:  $Q_\varphi = 1.386$ ,  $Q_k = 1.3$ ;  $Q_\varphi > Q_k$ , so the hypothesis of the absence of autocorrelation is accepted;

6) Pearson's criterion:  $X_\varphi^2 = 12.499$ ,  $X_k^2 = 12.592$ ;  $X_\varphi^2 < X_k^2$ , so multicollinearity is absent in the massive of regressors;

7) The regression equation takes the form of:

$$Y = 31.44 + 0.006x_1 - 0.019x_2 + 0.002x_3 + 0.005x_4 + e. \quad (2.15)$$

In order to understand the potential weight impact of each factor on the variability of the resultant indicator, the general variation in the consumption of poultry meat products was resolved into factors (Table 2.14).

**Table 2.14. General variation of the factors in the consumption of poultry meat products**

| Factor  | Matching correlation coefficient, $r_{yx}$ | $\beta$ -coefficient, $\beta_x$ | Percentage, %<br>( $r_{yx} * \beta_x * 100\%$ ) |
|---|--|---------------------------------|---|
| X1 - the average level of nominal wages adjusted for the consumer price index | 0.930758589                                | 0.745851061                     | 69.42   |
| X2 - deficit (surplus) of the proposition                                     | -0.754159623                               | -0.364517274                    | 27.49   |
| X3 - change in the stock of poultry meat products by the end of the year      | 0.297012108                                | 0.008436614                     | 0.25  |
| X4 - index of selling prices for products                                     | -0.386022111                               | 0.011222403                     | -0.43   |

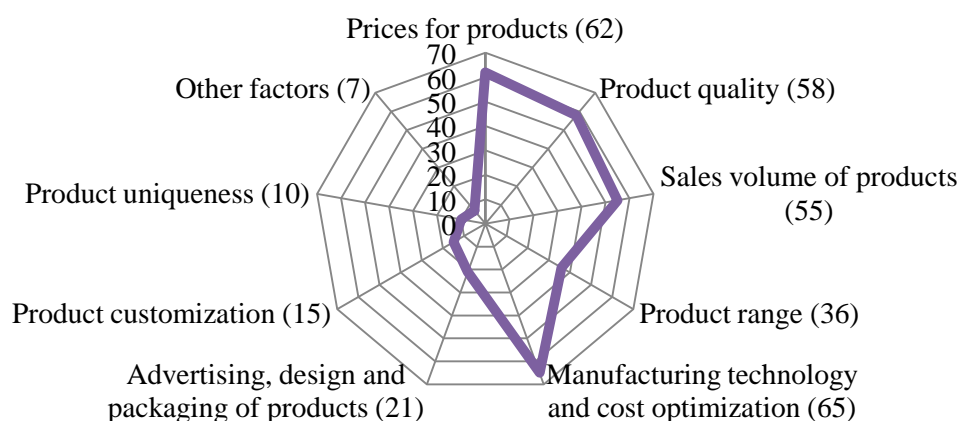
Source: own research

According to the calculations, the main factor of change in the volume of consumption of poultry meat products is the size of the nominal wage adjusted for the index of selling prices - 69.4% of the impact. The second place is occupied by the presence and size of the deficit of appropriate products - 27.5 % of the impact. The change in the stock of products by the end of the year provides only 0.25% from the variation of the studied function. This could probably be explained by the fact that the transient stocks of the products in question are so insignificant that it makes it impossible to use them for forecasting the following year's market situation and, first and foremost, for forecasting consumption. Finally, the fourth factor influences the variation of the function by only 0.43%. This indicates that the consumption of poultry meat products is generally inelastic in price.

Inelasticity of consumption indicates that the population of the country considers this type of food not replaceable in their alimentation. In a situation when the consumption of meat is not elastic in price and its growth is ensured at the expense of consumers with low incomes, the problem of establishing fair (competitive) prices for the specified products is extremely acute. Implementation of strategic management in

the poultry meat processing enterprises requires the right choice of strategy and tactics to increase the competitiveness of enterprises.

The importance of competitiveness is determined not only by the current market share of the enterprise, but also by the possibility to assess the potential of the enterprise, including the hidden potential. Therefore, the analysis of factors influencing the competitiveness of the enterprise is extremely important and necessary. The analysis of the regional market of poultry meat products shows that under the conditions of competition in the domestic market the following factors prevail: production technology, price, quality of products, the established distribution network and assortment (Fig. 2.7).



**Figure 2.7 Weight of factors influencing the competitiveness of agro-industrial enterprises, %**

Source: Own research

In the group of resource factors, the most important is the access to high-quality and cheap raw materials. The increase in consumption of food is determined by the production growth of sausage products and semi-finished products made of poultry meat. During the crisis period, the level of production capacity of operating enterprises is very low. At the same time, idle time of equipment increases costs per unit of produced products, increasing their competitiveness and reducing price

competitiveness in the domestic food market. According to experts' estimates, reducing the use of the company's capacities by 50% increases its production costs by 20-25%.

Another factor influencing the competitiveness of poultry meat processing enterprises is also the proximity to the places of concentrated effective consumer demand. The main producers of poultry meat products in Dnipropetrovsk region are “Kryla Tavrii”, “Dniprovsky”, “Oril-Leader”, “Agro-Soyuz”, “Agro-Oven”, which sell their products through various distribution channels.

Competitiveness of products of agro-industrial enterprises, such as processing poultry meat companies, is achieved, first of all, by reducing their production costs, namely: the development and implementation in the production of new technologies, optimal use of raw materials, increasing the proportion of poultry meat in the production of sausages; development of regulatory documentation for new types of products. In the complex of measures to increase the competitiveness of finished products, an important place belongs to the improvement of the incentives mechanism for resource conservation in the processing enterprises.

An important influence on increasing the competitiveness of enterprises is the organization of sales and financial turnover. Under the conditions of market saturation with the products from the processing plants, sales become complicated and there is a deficit of financial resources for full utilization of processing capacities. An important factor in increasing competitiveness is the specialization of enterprises in the production of a particular type of products, as well as the deepening of specialization of fattening enterprises.

The competitiveness is also affected by the qualification of managerial and technical personnel in the poultry processing industry. Technological advantages have enterprises that implement measures to optimize the operation mode of poultry processing facilities (utilization rate, regularity of pace and changeability of equipment operation) and the implementation of waste-free technological processes.

The essential factor that determines the competitiveness of enterprises in the processing of poultry meat is the strategy of economic behavior and the nature of

competition in the food market. There is a need to analyze the experience of economic behavior of poultry commodity producers and to monitor strategies that they use. The main poultry meat producers in Dnipropetrovsk region are 5 companies (Table 2.15).

**Table 2.15. Poultry meat processing enterprises of Dnipropetrovsk region**

| Name of the company                | Kryla Tavrii, LLC          | Poultry Plant “Dniprovsky”, LLC         | Oril-Leader, PJSC   | Private enterprise “Agro-Soyuz” | Agro-Oven, LLC   |
|------------------------------------|----------------------------|---|---|---------------------------------|--|
| Location, (foundation year)        | Nikopolsky district (2010) | Nikopolsky district (1980)              | Petrykivsky (1980) since 2001 in the structure of MKP (Myronivsky Khiboproduct) | Synelnykovsky district (2003)   | Solonyansky, Novomoskovsky, Magdalynivsky, Dnipropetrovsk districts (1998) |
| Total output per day, tons         | 1.43                       | 182.96                                  | 175.75  | 0.32                            | 173.24   |
| Trade mark (trade network)         | -                          | “Znatna kurka”<br>“Dniprovski Kurchata” | “Nasha Ryaba”,<br>“Lehko”,<br>“Bashinsky” (trade network)                       | “Zhar Ptytsia” (ostrich meat)   | “Dim M'yasa (trade network)<br>“Zolotko”                                   |
| Market share, %                    | 0.29                       | 36.6                                    | 28.8  | 0.11                            | 34.2   |
| Competitive position on the market | Nicher                     | Leader                                  | Challenger  | Nicher                          | Challenger   |

Source: Own research

Strategies for achieving competitive advantages for poultry meat processing enterprises vary depending on their competitive position in the market. For this purpose, all enterprises are divided into four groups: market leader, market challenger, market follower and nicher [133].

The first and second groups of these producers include the leading companies and challengers, which occupy significant shares of the market. The volume of their production is over 150 tons per shift. Many of the large enterprises in the processing of poultry meat have more than 20 years of history in the market. They were created to solve the problem of providing the population of the country's regions with poultry

meat products. They are distinguished by the developed production structure, which includes, in addition to production units, enterprises for growing poultry, slaughterhouses, feed mills, transport departments, repair shops, trade networks, research centers, etc.

The general strategic directions of their activities are cost savings due to the effect of their production scale, diversification of their activities towards adjacent directions, integration by the technological chain. It can also be noted that the enterprises of these two groups, which operate on the national market, position their products as products of high quality (which does not prevent the average quality-value commodity items from prevailing in the assortment), often venturing to promote products in lower price segments and to elaborate new trademarks, endeavoring in such a way to occupy all existing food market niches.

The basis of leading enterprises and challengers' strategic planning is the focus on reducing production costs. This strategy is justified because large retail chains are increasingly influencing the level of manufacturers' sales. Thus, cooperation with large retail chains of Ukraine is a priority for such companies as "Dniprovsky", "Agro-Oven", "Oril-Leader". In this case, cost leadership allows these producers to prevent the competitors' products from getting on the shelves of stores, by offering instead significant discounts, deferral of payments, financing of marketing programs, etc.

The experience of economically developed countries shows that competitiveness lies within clusters of interconnected economic activities, rather than in an individually taken sphere of activity. Formation of clusters is based on vertical (supplier - consumer) and horizontal ties (general consumption base, technology and distribution). The enterprise, which achieves competitiveness in the national or regional markets, expands its influence on the closest surrounding: suppliers, consumers and competitors. In turn, the success of the surrounding positively influences the company's further growth of the competitiveness. It should also be noted that the resources available at the disposal of integrated agro-industrial complexes allow to overcome the territorial sales restrictions and to win over the



market shares from regional producers, in the first case - at the expense of a powerful distribution system, in the second - at the expense of the possibility to sell their products through regional enterprises throughout Ukraine.

The poultry processing plant “Dniprovsky” LLC, “Agro-Oven” LLC and “Oril-Leader” PJSC over the period of their existence have joined the ranks of the large and dynamic poultry processing enterprises of Ukraine. These enterprises ensure their competitive advantage in the market through the use of both traditional and original formulae, the presence of a developed dealer system, a wide assortment of products. Leaders, as a rule, develop the following priorities in their development strategy: improving the quality of products, optimization of management structure, intensification of production technology, creation of brand image, creation of a service controlling the sale of goods.

The development of the market of processed poultry meat products has led to an increased competition and an acute fight for customers. In this situation, the greatest attention is paid by large producers to merchandising of finished products, which is understood as a set of measures aimed at increasing the sale of goods in a particular retail outlet.

The third group of producers are market followers. The high rate of inflation, lack of circulating funds and other economic problems necessitated the development of survival strategies and adaptation to constantly changing conditions. The general trend of the producers from this group is a decrease in production volumes, non-productive time and loss of qualified personnel. Under these conditions, the company is forced to work with any customers who use the production capacities of enterprises, which leads to a decline in prestige of the trademark, the dilution of strong commercial brands.

The basis of activity for enterprises of this group is the economy on production costs, among others by violating the technological norms and standards. The strategy of their activities is to create a strong competitive advantage on the regional level. The most typical provisions of such producers' strategy is to create in the structure of the enterprise the qualified marketing units, which allow to possess extensive

knowledge about consuming advantages of local population and conduct effective marketing policy in local markets; to economize on overhead costs, which allows competing in the price-quality ratio; to diversify activities on a small scale.

It should be noted that practically all middle-sized companies are focused on the same type of customers in their activities: first of all, they are customers with income higher than the average, and only then there are middle-income customers. This peculiarity caused the creation by enterprises of new brands, which allows them to distinguish themselves from large producers with a well-known brand.

The fourth group of producers are small enterprises that occupy a small part of the market and, as a rule, are focused on a certain market niche. Without competing among themselves, together they are serious competitors for large participants of the market. This is due to the quick payback of capital investments and lack of proper control by the state over the activities of such enterprises. To assess the processes taking place in the agricultural economy and in the agricultural processing sector, it is important that a significant number of small enterprises are created around the producers of raw materials. Nowadays small enterprises process about 30% of domestic agricultural raw materials.

The analysis of the strategies used by small companies-nichers in their activities shows their constant evolution. At the beginning of operation, the vast majority of such producers were focused on the production of the cheapest types of products. The products in general were characterized by inauthenticity and thorough non-conformity to standards. In some cases, they used brightly colored packaging and foreign-language inscriptions, which deceived the uninformed consumer, encouraging him to buy their products. The tactic of frequent changes in the brand name was used to ensure the stability of sales. The estimation of the advantages of small enterprises, as compared to large competitors and challengers, allows to distinguish the most significant of them. These are low overhead costs, a flexible pricing and marketing policy, proximity to the consumer. Manufacturers-nichers often focus their assortment on the benefits for the inhabitants of a particular area. Lower costs for logistics and storage of goods also increase their chances of survival.

The leading manufacturers secure their competitive advantage through advertising of their trademark, savings on raw materials purchases, and the scale effect. These features are also characteristic of the strategy of small enterprises that are looking for opportunities, trying to concentrate on exclusive types of products - expensive varieties of sausages and smoked meats, or, on the other hand, on the production of the cheapest products. As a result, the retail prices for one product type from various producers and of various quality differ in several times.

It should also be noted that small producers began to use the growth strategy, expanding production, passing from the rank of newcomers to the category of followers and challengers. New trademarks are appearing on the market, enterprises are specializing in narrower assortment groups. The study of the experience of enterprises from different groups in the market of meat and poultry products allows to summarize elements of their strategy to achieve competitive advantages (Fig. 2.8).

We believe that the main poultry meat processing enterprises' directions, which provide them with market competitive advantages, include:

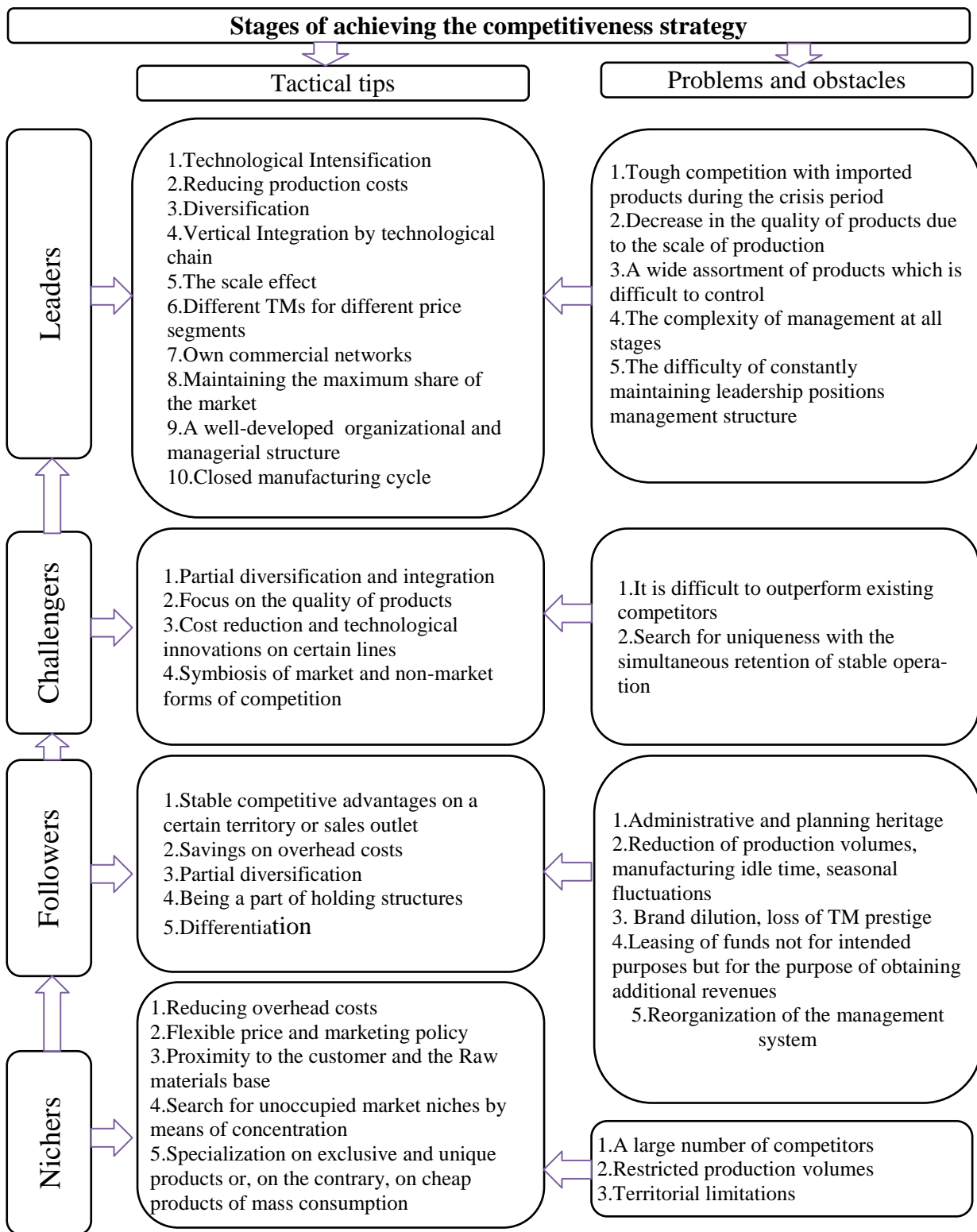
1) integration of the main elements/segments of the poultry processing industry within a single integrated enterprise, which makes it possible to reduce costs, optimize commodity and financial flows, increase profitability and enhance competitive market positions;

2) technological re-equipment of enterprises using advanced technologies of leading foreign producers with simultaneous increase in the volume of production output;

3) fundamental study of the retail market and improvement of the product assortment;

4) control of product quality and compliance with the customer's requirements;

5) efficient use of raw materials and increased output of processed products: sausage products, milk products, delicatessen products.



**Figure 2.8 Stages of Competitiveness Achievement by Agro-industrial Enterprises**

Source: Own research

The conducted research allows us to conclude that cost leadership remains the main competitive strategy for the majority of enterprises in the processing of poultry meat, although a significant part of the companies' heads and managers already focus their attention on the quality of products. However, an enterprise that achieves market advantage at the expense of its own marketing system, as a rule, is more focused on the consumer, than the company, which seeks to compete on costs, because control of the quality of products requires constant monitoring of the market in order to understand the consumers' needs.

However, the company that wants to achieve success in the market by reducing costs, also does not have to ignore the irregular requests of customers. If an enterprise is focused exclusively on production and only seeks to market position.

Therefore, we believe that under conditions of the crisis, increased competition and the emergence of new technologies, when companies have wide opportunities to improve the consumer properties of products, the dominant position will be occupied by nonprice methods of competition. The development and implementation of the product development strategy and the production and technological strategy focused on the quality and safety of products, ensure strong competitive advantages for domestic producers of poultry processed products.

It should be noted that the food industry as a whole, and the poultry processing in particular, over the last few years under the conditions of favorable investment climate before the crisis of 2013 is indicative for the Ukrainian economy. The quick payback of projects facilitates the flow of capital into this type of economic activity. Negative attitude to cheap imported products, which has developed in Ukrainians allows the market to grow dynamically. At the same time, a positive trend is the strengthening of the middle-level producers' positions. Today, mid-sized processors are by 15-25% more efficient than their larger competitors. The growth rate among such producers is from 30 to 100% per year. These trends contribute to an increased competition, which makes the market of poultry meat more and more fierce.

The division of producers within strategic groups in order to identify general trends in the development of their representatives' strategic activities is rather

relative, and the strategic elements used by these or other producers within the group can be used by other enterprises. The conducted research depicts the essence of the processes occurring in the managerial sphere of poultry meat processing enterprises, so the division of enterprises into groups depending on their competitive positions, in our opinion, is reasoned.

In the research, we have identified discursive points as for the causes of low efficiency of strategies in domestic poultry meat processing enterprises: lack of standards for developing strategies and plans, lack of experience in conducting business activities under market conditions; low efficiency of developing (coordinating) strategies and strategic plans due to the lack of an automated system for the preparation and transmission of information, the instability and inconsistency of management information, the length of the procedure for coordinating strategies and plans, which is the result of the independence of the functional units that take part in the process of developing strategies and planning; constant adjustment of strategies and plans, depending on ensuring their implementation with the necessary financial and material resources, rather than on the market conjuncture.

## **2.3. Evaluation of the process of competitive advantage formation in agro-industrial enterprises**

The problem of economic development of the country by increasing the competitiveness of products in all its various aspects reflects practically all sides of the society's life, and therefore invariably remains in the center of attention of scientists, politicians and business groups in all countries of the world. An increased competition for the sales markets, for a place in the world market makes all countries look for ways to produce goods of higher quality. In today's competitive struggle with all its acuteness and dynamism those win who analyze and fight for their competitive positions. In order to survive in this struggle, each company must set itself the task to increase the competitiveness level not only of its products, but also of the company and its potential.

Topicality of the study of this issue's aspects lies also in the fact that the current pace of enterprises' economic development must pay maximum attention to the study of the level of their competitiveness, be as flexible as possible and respond to changes in their functioning conditions, focus on achieving the maximum level of competitive advantages in any sales market of their products. It is impossible to achieve these advantages without establishing a strong, scientifically based system of managing the competitiveness of the company. This system must provide automated management of any company's activity and even predict possible changes in the external and internal environment for the most rapid response to these changes.

Only when domestic poultry meat processing enterprises implement such systems, they will be able to be competitive not only in domestic markets, but also in the world. The importance of these studies and large volumes of information put these problems among those that require priority solutions. The level of competitiveness of poultry meat processing enterprises at any given time is determined by the influence of a number of factors, different in nature, character and impact level.

On the basis of analysis and systematization of different scientific approaches, factors of enterprises' competitiveness can be classified: by the functional environment; by the influence of agrarian enterprises on them; by the degree of dependence; by the period of action; by the level of managerial decisions; by action focus of factors; by the role of factors in ensuring competitive advantage; by the level of mutual interconnection; by their nature and degree of influence on the competitive capacity of enterprises.

From the point of view of systematic approach, the classification of competitiveness factors depending on their functional environment (external, internal) is of great importance, which has theoretical and applied meaning for deepening of methodological evaluation of directions and ways to increase competitiveness of agro-industrial enterprises.

Within the framework of study of methodological aspects of enterprises' competitiveness there is a wide range of methods to assess the competitiveness of enterprises, with the purpose of systematization they should be classified according to the following characteristics: by the direction of the information base formation, by the way of depicting the final results, by the way of evaluation, by the possibility of elaborating managerial decisions.

Competitiveness of a poultry meat processing enterprise is a multifaceted concept, which characterizes its ability to compete both on the domestic and foreign markets. Ukraine has significant opportunities for developing the agrarian sector and transforming it into a highly efficient sphere of economy. Favorable soil-climatic conditions, fertile land contribute to its further development, obtaining crops in quantities sufficient to meet domestic needs and to form export potential. The main role in ensuring the company's competitiveness is the efficiency of its business activities as well as market aspects that distinguish it from its competitors to its advantage. The following components are defined: competitiveness of an enterprise, competitiveness of production, competitiveness of products.

The competitiveness of the agro-industrial enterprise is determined primarily by these parameters:



- 1) the ability of the company to function effectively on the internal and external markets;
- 2) the ability of the company's products to compete in the market with similar products;
- 3) the obtainment by the enterprise of competitive advantages based on products of appropriate quality;
- 4) the efficient use of technology, resources, management methods, staff's skills and knowledge, components of marketing activities, which affect the quality and competitiveness of products, profitability of the company.

An important condition for ensuring the competitiveness of enterprises is efficient use of resources, recruitment of qualified personnel, achievements of modern management, innovation, financial and informational capabilities of the company, which together constitute its potential, which, in turn, must also be competitive.

A particularly important issue of the enterprise's efficiency in the poultry meat processing are the factors that affect its functioning. The economics literature classifies the corresponding indicators according to various classification features. M. Porter distinguishes the main and developed factors, general and specialized, natural and artificial. Besides, there are classificatory signs by the object of research, by the sphere of operation, by manageability, for the level of specialization. Most scientists agree that the main factors are quality, price and demand.

In general, all the factors of competitiveness can be divided into internal and external. Internal factors of competitiveness are the total of all company's capabilities, which influence the competitiveness and quality of its products. Internal factors that affect the competitiveness of agro-industrial enterprises include: the state and quality of labor resources, the availability of turnover assets in the enterprise, the use of various production technologies, material-technical and informational base. External factors of competitiveness do not depend on the enterprise. They should include: state regulation, which is manifested in certain state legislative acts and tax

policy; social factors (the presence of a commercially capable population); the level of scientific and technological progress and others.

The conditions for achieving and maintaining the competitiveness of agro-industrial enterprises at a sufficiently high level is the reduction of uncertainty and risks. Under the conditions of the market economy, the risk factor influences the activity of enterprises from any sector. The problem of risk is particularly acute in conditions of deficit of financial resources in the real sector of economy, which was reflected most prominently in the enterprises from the agrarian sector of the economy. The main reasons for this were the disruption of exchange and distribution relationships with other sectors of the economy, the absence of adaptation of the existing system of crediting enterprises from the agricultural sector, a significant decrease in state support of agricultural production.

The most important feature of the agrarian economy is the seasonality of production and the resulting fluctuation of production costs and profits. The situation is aggravated by the disruption of price parity for agricultural and industrial products. Negative effects are most often manifested in the actions of natural monopolies, as well as processing, supply and trade organizations. Moreover, the state allocates for the development of the agricultural sector about 1% of the total amount of capital investments, while in the times of the planned economy - 27-28%. Of course, insecurity and uncertainty of agricultural enterprises activity are related to seasonality, outdated material and technical base, lack of innovation, underdeveloped infrastructure, lack of state support, etc.

The solution procedure to these problems should be as follows:

- 1) implementation of the optimal distribution of poultry meat production at the state level;
- 2) development and use of the methodology of incorporating crediting in the industry, in terms of the general state efficiency as for the consequences of their use;
- 3) efficiency increase of state regulators;
- 4) development of market infrastructure in order to reduce the influence of informal institutions on the market price of products.

Studying the competitiveness of agro-industrial enterprises requires the formation of scientific methodological positions and the development of a whole range of diverse methods, that enable to conduct a comprehensive analysis of the enterprise, taking into account the competitive advantages and disadvantages, to establish the most high-priority aspects of the activities of domestic enterprises.

The analysis of economic literature shows that the majority of methods offer the analysis of the enterprise's competitive ability in isolation from its interrelationships with business partners, market players and other elements of external environment. Thus, these methods cannot with a high degree of efficiency reflect the level of competitiveness, because in the current economic conditions the work of the company in isolation from other market regulators cannot provide high efficiency of its operations. In view of this, pertinent issues are critical analysis of theoretical positions of market strategies, concepts of competitive advantage management, as well as the development of measures to improve the processes of developing competitive advantages of poultry meat processing enterprises, the substantiation of the main directions to improve the quality of products.

Methods for assessing the competitiveness of enterprises vary from relatively simple, based on the lack of funding and limited information, to complex ones requiring from the company more expenses and high professionalism of the personnel involved in the study of competitiveness. The advantage of Ukrainian enterprises is that they can use a lot of domestic experience in studying this problem, on the one hand, and foreign methodologies, on the other hand.

The existing methodological approaches to the analysis and assessment of competitiveness of agro-industrial enterprises can be classified according to the method of information submission:

- 1) economic and mathematical methods;
  - a) Parametric or analog method;
  - b) calculation of competitiveness based on the added value norm;
  - c) Poly-criteria optimization method;
- 2) graphical methods:

- a) method based on the study of the life cycle theory;
  - b) building a competitiveness polygon;
  - c) examination of the competitiveness on the basis of the desirability function;
  - d) method of examination of the experience curve;
  - e) method of creating a map of strategic groups;
- 3) descriptive methods:
- a) matrix or portfolio methods;
  - b) M. Porter's factor models;
  - c) application of the concept of marketing interaction;
- 4) mixed methods:
- a) investigation of competitiveness on the basis of the function-cost analysis;
  - b) Ansoff's product-market model

At the same time, defining the competitiveness parameters for one or another object, it is necessary to constantly worry about creating the right conditions, which will ensure the achievement of the required competitiveness parameters.

The conditions (circumstances that influence everything) are, therefore, the second basic constituent category of competitiveness. They cover a wide range of technical, technological, organizational, economic, social, personnel, legal, ideological relations, which are formed in the process of functioning of the enterprise's economic mechanism.

Creation of all necessary conditions for achieving competitiveness by subjects - the primary concern of the management and the entire company's staff.

Ensuring the competitiveness of agro-industrial enterprises in the long term requires improving the mechanics of the formation and implementation of the strategy to achieve its competitive advantages taking into account the business environment and the individuality of each participant in the business operations. The developed methods of assessment of the enterprise's competitiveness on the basis of analysis of its key competencies were tested on the poultry meat processing enterprises in Dnipropetrovsk region. As a result of the conducted research by the method of questionnaire survey, 143 respondents from Dnipropetrovsk region ranked

the properties of the products of poultry meat processing enterprises according to the degree of their importance for the consumer (Appendix A). The results of the calculations are presented in tables 2.16; 2.17.

**Table 2.16. Structure of consumer properties of products A  
 (semi-finished goods)**

| The product property    | Rank, % from the number of interviewed respondents |      |      |      |      |      |      |      |     |      | Average rank value | Significance level |
|-------------------------|--|------|------|------|------|------|------|------|-----|------|--------------------|--------------------|
|                         | 10   | 9    | 8    | 7    | 6    | 5    | 4    | 3    | 2   | 1    |                    |                    |
| Price                   | 20.2   | 17.0 | 13.8 | 8.5  | 9.6  | 13.8 | 6.4  | -    | 4.3 | 6.4  | 6.921              | 5                  |
| Brand                   | 16.0   | 8.5  | 21.3 | 8.5  | 11.7 | 11.7 | 2.1  | 12.7 | 4.3 | 3.2  | 6.525              | 3                  |
| Producing country       | 25.5   | 11.7 | 18.1 | 11.7 | 2.1  | 11.7 | 2.1  | 4.3  | 6.4 | 6.4  | 6.986              | 6                  |
| Shelf life              | 29.9   | 8.5  | 11.7 | 8.5  | 4.3  | 21.1 | 5.3  | 6.4  | 3.2 | 1.1  | 7.078              | 7                  |
| Health benefit          | 28.2   | 16.2 | 15.0 | 9.6  | 4.3  | 15.0 | 5.3  | 1.1  | 3.2 | 2.1  | 7.488              | 8                  |
| Organoleptic properties | 69.0   | 7.5  | 5.3  | 6.4  | 4.3  | 3.2  | 1.1  | 2.1  | -   | 1.1  | 8.983              | 10                 |
| Absence of additives    | 41.3   | 9.6  | 9.6  | 10.6 | 7.5  | 8.5  | 4.3  | 1.1  | 4.3 | 3.2  | 7.999              | 9                  |
| Packaging               | 2.1  | 5.3  | 11.7 | 16.0 | 6.4  | 18.1 | 11.7 | 10.6 | 6.4 | 11.7 | 5.063              | 1                  |
| Cooking speed           | 7.5  | 3.2  | 9.6  | 13.8 | 7.5  | 19.1 | 6.4  | 13.8 | 5.3 | 13.8 | 5.091              | 2                  |
| Service level           | 20.2   | 11.7 | 10.6 | 12.8 | 11.7 | 11.7 | 3.2  | 4.3  | 5.3 | 8.5  | 6.552              | 4                  |

Source: own research

The interviewees' responses indicate that the most important indicators that influence the consumers' choice, when buying processed poultry meat, are "organoleptic properties", "the absence of additives, coloring agents and preservatives" as well as "healthiness".

When buying sausage poultry meat products, the most important indicators that influence the consumers' decision are "organoleptic properties", "healthiness" and "shelf life". Resulting from the poll, a hierarchy of poultry meat product properties was formed. For each property, according to the average rank value assigned to it by the respondents, the level of importance was determined in scores from 1 to 10 - the higher the score, the more important the property. The most important for consumers appeared to be organoleptic properties of the products - appearance, color, smell, and flavor. They are followed by functional (energy value, caloric value) and chemical

properties (content of proteins, fats, vitamins, absence of artificial additives, coloring agents, preservatives) as well as the reliability (shelf life) of the products.

**Table 2.17. Structure of consumer properties of products B (sausage products)**

| The product property    | Rank, % from the number of interviewed respondents |      |      |      |      |      |      |     |      |      | Average rank value | Significance level |
|-------------------------|--|------|------|------|------|------|------|-----|------|------|--------------------|--------------------|
|                         | 10   | 9    | 8    | 7    | 6    | 5    | 4    | 3   | 2    | 1    |                    |                    |
| Price                   | 18.1   | 18.1 | 17.0 | 7.4  | 6.4  | 12.8 | 5.3  | 3.2 | 5.3  | 6.4  | 6.825              | 5                  |
| Brand                   | 11.7   | 5.4  | 17.0 | 11.7 | 10.6 | 17.0 | 10.6 | 6.4 | 6.4  | 3.2  | 6.097              | 4                  |
| Producing country       | 23.4   | 12.8 | 14.9 | 7.4  | 6.4  | 20.2 | 4.3  | 3.4 | 4.3  | 2.9  | 6.985              | 6                  |
| Shelf life              | 37.2   | 9.6  | 7.4  | 8.5  | 10.6 | 13.8 | 5.3  | 4.3 | 2.2  | 1.1  | 7.493              | 8                  |
| Health benefit          | 42.6   | 11.7 | 9.6  | 10.5 | 8.5  | 9.6  | 2.1  | 2.1 | 1.1  | 2.2  | 7.997              | 9                  |
| Organoleptic properties | 52.1   | 12.8 | 11.7 | 7.3  | 2.1  | 8.5  | 1.1  | 1.1 | 1.1  | 2.2  | 8.481              | 10                 |
| Absence of additives    | 39.4   | 5.3  | 9.6  | 8.5  | 8.5  | 6.4  | 7.4  | 7.4 | 1.1  | 6.4  | 7.214              | 7                  |
| Packaging               | 4.3  | 6.4  | 16.0 | 9.6  | 5.3  | 16.0 | 10.6 | 6.4 | 12.7 | 12.7 | 5.073              | 1                  |
| Cooking speed           | 10.6   | 8.6  | 12.8 | 18.1 | 5.3  | 13.8 | 7.4  | 7.4 | 8.6  | 7.4  | 5.897              | 2                  |
| Service level           | 17.0   | 13.8 | 8.5  | 4.3  | 11.7 | 14.9 | 7.4  | 6.4 | 2.2  | 13.8 | 6.040              | 3                  |

Source: own research

Among the marketing indicators, the most important are the country where the product is produced (especially for products B) and the image (brand) of the manufacturer. Packaging and service level are less important to the consumer than other features. The importance level of such a property as the selling price is low (5 points on the scale out of 10 points), due to the fact that the products of poultry processing, as food products, are considered to be everyday consumer goods of affordable price for most consumers, besides they are more differentiated by quality indicators. Alongside with the consumer survey, an expert study of internal business conditions of these enterprises was carried out (Table 2.18).

Assessment of interrelations between product properties, resources, business processes and competencies was carried out for each of the three leading poultry meat processing enterprises in Dnipropetrovsk region (Poultry processing plant “Dniprovsky” LLC, “Agro-Oven” LLC, “Oril-Leader” PJSC) by the three groups of

pair relations: product properties - resources; resources - business processes; business processes - competencies.

**Table 2.18. Resources, business processes and competencies of agro-industrial enterprises**

| Internal business conditions | The essence of the indicator   |
|------------------------------|--|
| 1. Resources                 | Are used in the implementation of business processes   |
| Material and technical       | Basic resources, supplies (raw materials, fuel, materials, semi-finished products, etc.)   |
| Financial                    | Monetary funds, VAT, debit debts, short- and long-term financial investments, own and outside capital  |
| Organizational and personnel | Knowledge, experience and qualifications of personnel, including managerial personnel. Organizational structure, corporate culture. Business reputation, trademark, technical knowledge and experience, patents, licenses.   |
| Informative                  | Total of data that develop inside the organization or externally   |
| 2. Business processes        | Business processes implemented by the company  |
| Product development          |  |
| Supply                       |  |
| Production                   |  |
| Processing                   |  |
| Selling                      |  |
| 3. Competencies              | Individual and collective knowledge, skills and technologies of the company's resource and business processes management   |
| Strategic value              | The strategy vision as a search for the future configuration of directions or as a drastic change of existing directions in the interests of the company   |
| Learning capacity            | Knowledge, skills, experience in the formation of a general vision, creation of conditions for an individual mastery (enhancement of personality), intellectual modeling, development of team training and systemic thinking   |
| Innovativeness               | The ability to create and multiply benefits for customers, as well as to develop new, more effective ways of providing these benefits  |
| Budgeting                    | Knowledge, skills and experience in combining various company's interests into a program coordinated for achieving the set goals, a plan of measures for the coordination and control of acquisition, distribution and use of resources at a certain point in time             |
| Customer focus               | The viewpoint as for the system of values, ways to motivate employees in order to meet the needs of "external" customers, the right balance between cooperation and competition inside the company, the priority of the interests of a customer, owner, manager and colleague. |

Source: own research

Through  $X = (X1, X2, X3, \dots, Xn)$  the properties of poultry meat products were identified at the previous stage; through  $Y = (Y1, Y2, Y3, \dots, Ym)$  - resources,  $Z = (Z1, Z2, Z3, \dots, Zk)$  - business processes,  $C = (C1, C2, C3, \dots, Cl)$  - competencies of each of the surveyed enterprises.

The relationship (XY) determines the level of "implementation" of each resource in individual product properties, and accordingly, the level of dependence of properties on the quality of resources. In the matrix, the correlation (YZ) determines the level of resource involvement in the implementation of the process and, accordingly, the dependence of the quality of the business process on a particular resource. Analogously, the bottom part of the ZC matrix reveals the level of dependence ("governability") of business processes on each of the existing competencies. Interrelation of the sector enterprises' product properties with their competencies, i.e. correlation (XC), was determined by successive closure of correlation (XY) on correlation (YZ), and correlation (XZ) on correlation (ZC):

$$(x_i z_j) = \frac{\sum_{k=1}^m (y_k z_j \cdot x_i y_k)}{\sum_{k=1}^m x_i y_k} \quad (2.16)$$

Revealed by the method of questioning the producers (Appendix B), the importance and interrelation of product properties and resources, business processes and competencies were set by matrixes presented in Fig. 2.9 for LLC "Dniprovsky", and for other surveyed enterprises (LLC "Agro-Oven", PJSC "Oril-Leader") - in Appendix C. Vectors of influence of resources and competencies are indicated by arrows, and the matrix shows the quantitative assessment of the level of influence on business processes and product properties (the higher the score, the higher the level of influence).



|                    |                       | Resources             |                       |                       |                       |                            |   |  |                                 |                                 |                                 |                                 |                                 |                                 |                                 |                                 |                                 |                   |            |             |                         |                      |           |               |         |                    |
|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------------|---|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|-------------------|------------|-------------|-------------------------|----------------------|-----------|---------------|---------|--------------------|
|                    | 2<br>3<br>4<br>1      | 4<br>2<br>3<br>1      | 4<br>2<br>3<br>1      | 4<br>2<br>3<br>1      | 3<br>1<br>4<br>2      | Y1<br>Y2<br>Y3<br>Y4       | Material and technical<br>Financial<br>Organizational and<br>personnel<br>Information | Y<br>1<br>Y<br>2<br>Y<br>3<br>Y<br>4           | 4<br>2<br>1<br>3                | 1<br>2<br>3<br>4                | 1<br>2<br>3<br>4                | 4<br>2<br>3<br>1                | 4<br>3<br>1<br>2                | 4<br>3<br>2<br>1                | 4<br>3<br>1<br>2                | 4<br>1<br>3<br>2                | 4<br>2<br>1<br>3                | 3<br>1<br>4<br>2  |            |             |                         |                      |           |               |         |                    |
|                    | Z1                    | Z2                    | Z3                    | Z4                    | Z5                    |                            |   |  |                                 |                                 |                                 |                                 |                                 |                                 |                                 | X<br>1                          | X<br>2                          | X<br>3            | X<br>4     | X<br>5      | X<br>6                  | X<br>7               | X<br>8    | X<br>9        | X1<br>0 |                    |
| Business processes | product development   | Supply                | Production            | Processing            | Selling               |                            |   |  |                                 |                                 |                                 |                                 |                                 |                                 |                                 | price                           | Brand                           | Producing country | Shelf life | Healthiness | organoleptic properties | absence of additives | packaging | cooking speed | service | Product properties |
|                    | Z1                    | Z2                    | Z3                    | Z4                    | Z5                    |                            |   |  |                                 |                                 |                                 |                                 |                                 |                                 |                                 | X<br>1                          | X<br>2                          | X<br>3            | X<br>4     | X<br>5      | X<br>6                  | X<br>7               | X<br>8    | X<br>9        | X1<br>0 |                    |
|                    | 4<br>3<br>4<br>1<br>3 | 5<br>5<br>4<br>5<br>4 | 3<br>4<br>5<br>4<br>5 | 2<br>3<br>2<br>3<br>4 | 2<br>2<br>3<br>2<br>3 | C1<br>C2<br>C3<br>C4<br>C5 | Strategic value<br>Learning capacity<br>Innovativeness<br>Budgeting<br>Customer focus | C<br>1<br>C<br>2<br>C<br>3<br>C<br>4<br>C<br>5 | 3,2<br>3,5<br>3,6<br>3,1<br>3,9 | 3,2<br>3,3<br>3,6<br>2,9<br>3,8 | 3,2<br>3,3<br>3,6<br>2,9<br>3,8 | 3,2<br>3,4<br>3,6<br>3,1<br>3,8 | 3,2<br>3,5<br>3,6<br>3,3<br>3,9 | 3,2<br>3,4<br>3,6<br>3,1<br>3,8 | 3,2<br>3,4<br>3,6<br>3,0<br>3,8 | 3,2<br>3,4<br>3,6<br>3,0<br>3,8 | 3,2<br>3,4<br>3,6<br>3,1<br>3,8 |                   |            |             |                         |                      |           |               |         |                    |
|                    |                       | Competencies          |                       |                       |                       |                            |   |  |                                 |                                 |                                 |                                 |                                 |                                 |                                 |                                 |                                 |                   |            |             |                         |                      |           |               |         |                    |

**Figure 2.9. Matrix of key competencies of LLC Poultry Plant “Dniprovsky”**

Source: own research

To create a hierarchy of enterprises’ competencies, their average values in the matrix of correlation (CC), ranked by hierarchy of requirements to the properties of products, were calculated. Similarly, resources and business processes of each enterprise are ranked according to the level of importance. Thus, at this stage of analysis, the results of dependence of product properties on competencies, i.e. knowledge, skills and experience of the company's employees, are obtained.

The matrix of correlation (CC) allows us to make a conclusion about the key competencies of the surveyed enterprises in poultry meat processing. The key competencies of the Poultry Processing Plant “Dniprovsky” are “budgeting”, “innovativeness”, “learning capacity”. The key competencies of “Agro-Oven” are “learning capacity”, “budgeting”, “innovativeness”. The key competencies of “Oril-Leader” PJSC are “customer focus”, “innovativeness”, “learning capacity”.

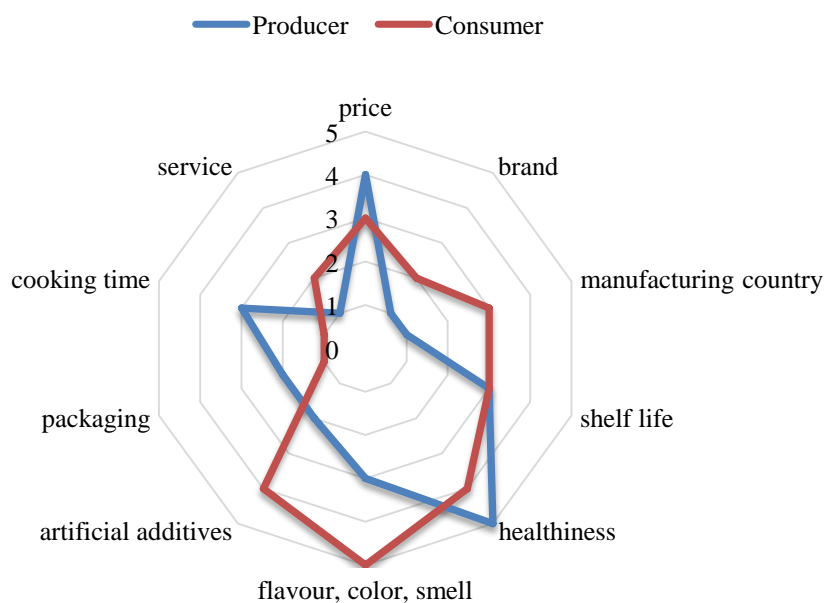
The data obtained correspond to the results of the analysis of the causes of the high competitive market position occupied by LLC Poultry Processing Plant “Dniprovsky”. Creation and development of a unified system of values, using both material and non-material ways of motivating staff; significant attention to the interests of employees, skillful selection of personnel - all of those mean that the human factor is the basis of the company's competitiveness, and “customer focus” is its key competency. “Innovation” also has a significant impact on ensuring the enterprise’s competitiveness. With the aim of producing lower-cost products, in a shorter period and a with wide range according to world quality standards, the company is introducing modern equipment and technologies into its manufacturing process. “Learning capacity” is the third important competency of LLC Poultry Plant “Dniprovsky”. Regarding the competency "strategy", the poultry industry has a very old production structure, which is approximately the same in most countries of the world. That is why the strategy issue as a search for future configuration of the industry or as a complete change of the current one is not particularly urgent for enterprises processing poultry meat both in Ukraine and abroad. On the basis of the established hierarchy of competencies, the quality indicators of poultry meat products were ranked by the level of their priority for the producing enterprise (Table 2.19).

**Table 2.19. Priority level of product quality indicators  
 of Poultry Plant “Dniprovsky”, LLC**

| №  | Consumer quality products  | Importance level |
|----|--|------------------|
| 1  | Price  | 3.59             |
| 2  | Image of the manufacturing company                               | 3.51             |
| 3  | Producing country  | 3.51             |
| 4  | Shelf life   | 3.54             |
| 5  | Healthiness (content and proportion of proteins, fats, vitamins) | 3.61             |
| 6  | Flavor, color, appearance, smell                                 | 3.54             |
| 7  | Absence of harmful additives, coloring agents, preservatives     | 3.53             |
| 8  | Packaging  | 3.53             |
| 9  | Cooking time   | 3.54             |
| 10 | Level of service   | 3.53             |

Source: own research

The results of the consumers' questioning regarding the significance of quality indicators of poultry meat products of LLC Poultry plant "Dniprovsky" and the enterprise-producer's from the point of view are shown in Fig. 2.10. The axes of coordinates show numbers of product quality properties from one to ten, and their importance was ranked on a 5-point scale.



**Figure 2.10. Interrelation between the consumer's desired properties and the company's existing product features at the Poultry Processing Plant "Dniprovsky"**

*Source: own research*

The results of the analysis indicate that the most important product properties for the consumer are organoleptic ones and the absence of harmful additives, coloring agents, preservatives, while the company's resources, business processes and competencies are to a large extent aimed at optimizing such properties as the selling price, packaging, cooking time. In addition, the essential differences are observed for such properties as the brand (image) of the manufacturing company and the producing country. For the consumer these are important characteristics, while the company's internal resources are slightly directed at their development.

Examination of the product quality characteristics of LLC “Agro-Oven” testifies to a high level of compliance of the company’s combination of properties to the consumer needs (as for organoleptic and chemical characteristics). However, there is a certain discrepancy between the consumer opinion and the product properties concerning such indicators as the image of the company and the producing country.

With “Oril-Leader”, PJSC consumer wishes are satisfied by such significant for them features of the products as shelf life, healthiness, absence of harmful additives. At the same time, discrepancies are observed in organoleptic properties that make the company's products less satisfactory for consumers, which leads to a decrease in competitiveness for this criterion. The obtained results of the research of poultry meat processing enterprises are shown in Table 2.20.

**Table 2.20. Integration of poultry meat processing companies into the business sector**

| Index                               | Poultry Plant<br>“Dniprovsky”, LLC |                                       | Agro-Oven, LLC          |                                       | “Oril-Leader”, PJSC     |                                       |
|-------------------------------------|------------------------------------|---------------------------------------|-------------------------|---------------------------------------|-------------------------|---------------------------------------|
|                                     | The level of importance            | Integration into the business process | The level of importance | Integration into the business process | The level of importance | Integration into the business process |
| Material and technical              | 3.31                               | 4                                     | 2.32                    | 3                                     | 2.16                    | 2                                     |
| Financial                           | 2.46                               | 3                                     | 3.43                    | 3                                     | 2.63                    | 2                                     |
| Organizational and personnel        | 2.05                               | 4                                     | 2.64                    | 2                                     | 2.15                    | 4                                     |
| Information                         | 2.11                               | 4                                     | 2.71                    | 2                                     | 2.15                    | 3                                     |
| <b>Total for resources</b>          | -                                  | <b>3.8</b>                            | -                       | <b>2.5</b>                            | -                       | <b>2.8</b>                            |
| Product development                 | 2.41                               | 2                                     | 3.41                    | 3                                     | 2.13                    | 2                                     |
| Supply                              | 2.63                               | 3                                     | 2.36                    | 1                                     | 2.16                    | 2                                     |
| Production                          | 2.63                               | 2                                     | 2.43                    | 3                                     | 2.14                    | 1                                     |
| Processing                          | 2.63                               | 2                                     | 2.18                    | 2                                     | 2.71                    | 2                                     |
| Selling                             | 2.47                               | 3                                     | 2.72                    | 4                                     | 2.42                    | 1                                     |
| <b>Total for business processes</b> | -                                  | <b>2.4</b>                            | -                       | <b>2.6</b>                            | -                       | <b>1.6</b>                            |
| Strategy                            | 3.22                               | 4                                     | 2.28                    | 1                                     | 2.03                    | 3                                     |
| Learning ability                    | 3.47                               | 3                                     | 2.49                    | 3                                     | 2.19                    | 2                                     |
| Innovativeness                      | 3.61                               | 4                                     | 3.24                    | 2                                     | 3.04                    | 2                                     |
| Budgeting                           | 3.12                               | 3                                     | 3.08                    | 3                                     | 2.11                    | 2                                     |
| Customer focus                      | 3.82                               | 1                                     | 3.93                    | 2                                     | 2.53                    | 2                                     |
| <b>Total for competencies</b>       | -                                  | <b>3.0</b>                            | -                       | <b>2.2</b>                            | -                       | <b>2.2</b>                            |

Source: own research

The most intensely integrated element into the company's business space is the resources of the company "Dniprovsky", which requires the solution of the issues of its resource provision within a single business system. A relatively high level of integration also has the key competencies of the surveyed enterprises, because they are implemented and developed on the basis of information, which is directly coming from the external environment. Especially such competencies as innovativeness and strategic focus are concerned. The low level of integration of business processes into the enterprises' business space indicates that their implementation is carried out within the enterprise and does not depend significantly on the external management conditions.

Therefore, the comparison of the product quality characteristics of poultry processing enterprises in Dnipropetrovsk region from the point of view of customer benefits and of producing enterprises made it possible to identify indicators of quality characteristics of poultry meat products, their structural interrelationship and to identify the level of involvement of enterprises' business processes, resources and competencies into the production of significant for consumers product properties. The obtained results reflect the importance of each competency and therefore of specific managers who are the bearers of knowledge, skills and abilities aimed at the implementation of business processes into product creation in accordance with the consumer demand. The result of the analysis is not only an assessment of the level of competitiveness of the company's products according to their qualitative characteristics, but also the identification of areas for the most effective use of resources for the development of its key competencies.

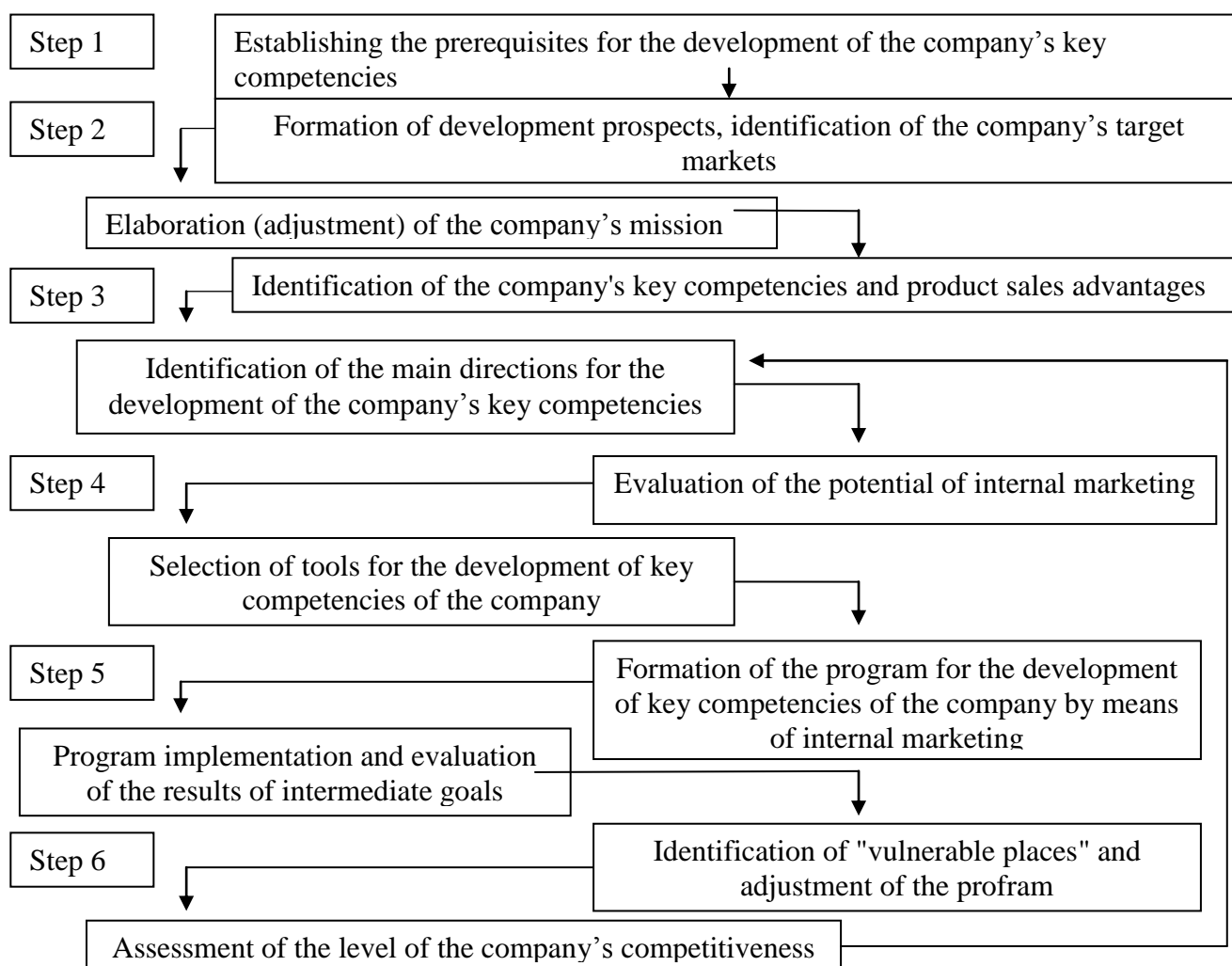
The main ways to increase the competitiveness of agro-industrial enterprises is to provide support for the standardization process of product quality, improve the process of receiving by agrarian enterprises a full range of information and advisory services on the export of products, solving the problem of paying off the VAT and granting of affordable loans. Creation by enterprises of own productive resources, of a closed cycle of production and realization of products, implementation of progressive technologies, innovations, improvement of economic relations between

market participants will make it possible to increase the production volumes and product quality.

Increasing the competitiveness of agro-industrial enterprises on the basis of its key competencies development is a process that can be called “building” the business by means of internal marketing. The development of key competencies of the company is a necessary condition for increasing its competitiveness. Firstly, identification of key competencies and their basic properties gives the company a perspective opportunity for growth (new markets, products, expansion of consumer demand, etc.). Secondly, to implement its capabilities, each division can gain access to the resources of the entire company, since the development of the company on the basis of key competencies is the essence of the general corporate strategy. Thirdly, the identification of key competencies facilitates the cross-application of competencies by different divisions, thereby accelerating the accumulation of knowledge, which helps to improve the competencies themselves. Fourthly, the company will not withdraw from the manufacturing of products that do not currently yield high economic results, but later may become the basis for the creation of new key competencies. Finally, the company becomes open and ready to create new key competencies that can lead to economic growth in the future.

As a result, there is a necessity to create a model for the development of key competencies of the company by means of internal marketing, a model capable of ensuring a strong long-term competitive advantage of the company, in the conditions of a highly vague external environment with any possible scenarios of development.

We have developed a conceptual model to improve the company’s competitiveness through developing its key competencies, the use of which allows to eliminate the non-compliance between the current qualitative properties of the company's products and those that provide the highest value from the point of view of consumer demand (Fig. 4.5).



**Figure 2.11. A conceptual model of increasing the competitiveness of agro-industrial enterprises by means of internal marketing**

Source: own research

We believe that the main opportunities of our proposed model include:

1. It is advisable to develop key competencies of poultry meat processing enterprises with the use of internal marketing tools (interfunctional links, the incentive scheme, the system of response to external information, etc.).

2. The identification of enterprises' key competencies and their development directions, identification of the internal marketing potential, assessment of the current level of competitiveness of enterprises.

3. The choice of internal marketing tools for the development of key competencies is suggested to be made on the basis of identifying the internal strategic position of the company.

Let's review each of the steps in more detail.

1. *Determination of the conditions for the development of the company's key competencies.* For the development of key organizational competencies, first of all, it is necessary to determine the presence in the company of the appropriate prerequisites such as informational, personnel, organizational and financial ones. All of them are very closely interconnected. The necessity for their combined and coordinated use emerges as a sort of response to the widespread situation of uncertainty and risk in the environment, when it is impossible to propose an unmistakable algorithm for taking the single correct decision, because there is a significant variability of possible combinations of factors, and the results of activity under these conditions cannot be accurately predicted.

2. *Formation of prospects for development. Identification of the enterprise's target markets.* Implementation of the model of key competencies development of the poultry meat processing enterprise begins with an assessment of the current state and prediction of future development of the company. For the development it is advisable to create a working group represented by the company's managers, employees, experts in order to forecast possible changes in the environment (changes in the people's lifestyle, technologies, demographics and geopolitics, etc.) with the potential to affect consumer expectations. It is necessary to identify these changes and give an answer to the question: What is the significance of this change for the company? How quickly is this change transformed into a trend in various markets around the world? What particular technologies are capable of driving this trend forward? What technologies are chosen by competitors, which companies come to the forefront, who has won more, who has lost more? What is the competitors' investment strategy in relation to this trend? How might another trend affect the company's existing customers? How quickly does this trend develop, and what factors can accelerate or enlarge it? Who is going to get advantage of this trend or who is going to do away with it? What new products could be created by this trend? What is the company's choice in connection with the further penetration into the essence of this trend, how do its intensity, speed of expansion or cessation influence it? How much can the



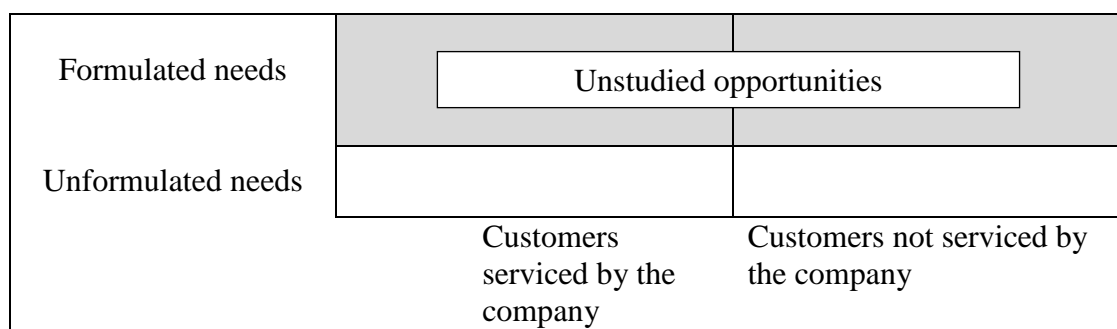
identified external factors affect the actual and hidden needs and demands of existing and potential customers in the future? The possible directions of the strategic analysis of the market, which are presented in scientific literature [10, 57, 60, 67, 77, 177], are summarized in Table 2.21.

**Table 2.21. Strategic market analysis directions**

|   |  |
|---|--|
| Product analysis                              | Which meat products and with which consumer properties to produce?<br>Which poultry meat products should be improved and which should be taken out of production? How to conduct trial marketing?                                |
| Consumer analysis                             | Building a social and demographic portrait of the consumer, identifying possible motives to buy or to reject buying products.  |
| Price policy analysis                         | What price to set for the products?<br>What pricing policy should we follow in relation to customers, dealers and distributors?  |
| Product distribution analysis                 | What sales policy to pursue?<br>How to organize/develop your own dealer and agent network?   |
| Advertising policy analysis                   | What advertising policy to choose and what should be the cost estimate on its implementation?<br>How to evaluate the effectiveness of promotion campaigns?   |
| The company's image analysis                  | How to create a corporate style of the company?<br>How to form / improve its image or brand?   |
| The company's marketing organization analysis | Whether to allocate the research functions among different production departments or concentrate them in one place?<br>How to design a system of market information and information about customers / suppliers and competitors? |
| Analysis of new directions of activity        | Whether to explore new spheres of activity?<br>What strategy elaborating methods to use for developing new markets and providing marketing resources?  |
| Strategic directions analysis                 | What should be the research policy as for cultural and value-based worldview, the structure of activities and the system of goods and personnel flow?  |

Source: adapted [10, 57, 60, 67, 77, 177]

No matter how well the company is satisfying the consumer needs of existing customers, it risks losing them in the future if it does not recognize their latent needs, which also need to be realized. As well no matter how satisfied the existing customers are with the company's meat products, the company must try to win and attract new groups of customers by responding to their formulated and unformulated needs. In Fig. 2.12 the axis of coordinates reflects the latent customers' demands. The other axis shows the groups of buyers who are and are not services by the company at the moment.



**Figure 2.12 Real and potential target market segment of the poultry meat processing enterprise**

*Source: own research*

Market segments differ from one another by indicators of sales advantages and profitability. The company must concentrate its power and energy on the segments it can service best of all from a competitive point of view. Selecting an alternative approach to the determination of the target market, it is advisable to use the following criteria:

- importance of the segment for the company;
- assessment of quantitative indicators of development (capacity of the market segment, market niche); availability of segment development for the enterprise; profitability of poultry meat products;
- protection of the company from possible competitors' actions (the acquired positions that formed its positive image);
- probable efficiency of work in this segment of meat products in the future.

The results of the analysis of the poultry meat processing enterprises' activity showed that their failures in the production and commercial activities are caused mainly by the following reasons: improper selection of the market segment, to which the marketing efforts of the company were directed; excessive segmentation, which causes excessive differentiation of products, which can be economically unreasonable; concentration on one market segment while ignoring others, not less promising categories of consumers.

At the same time, both existing and potential target markets should be presented from the point of view of increasing the product usefulness of poultry meat processing companies for consumers. One option is a new form of providing a traditional combination of consumer benefits. In addition, it is possible to add a new benefit to the product. Finally, it is possible to put a new benefit into a new form. There are several ways to do that: interaction of representatives from different company's divisions, addressing other business spheres for analogies, participation of the company's representatives in interdepartmental and international dialogues and negotiations.

Definition (clarification) of the enterprise's mission. In accordance with the revealed trends in the development of the enterprise's target markets for the processing of poultry meat, the formulation or clarification of its mission is carried out. The mission determines the general direction of development, on the basis of which the strategy is designed. Mission of the company is the method that allows the management to combine their own goals with the goals of hired employees. The difficulty in formulating the mission is that it does not include specific numbers. On the one hand, it must be realistic, laconic, understandable, and on the other hand it must give general guidelines and leave room for the development of the company. We believe that the persons who are directly interested in the development of the enterprise's mission are: the owners of the enterprise, employees, consumers of poultry meat products, business partners, local community, society as a whole.

General rules for formulating the mission of the company have not yet been formulated, in each case different approaches are used. It is desirable that the mission comprise a mission-destination (a specific concept that gives an idea about the reasons for the company's emergence and the sense of existence), the mission-focus, which establishes the principles of the specific activity, the business idea (identified groups of consumers, identified needs and ways to satisfy them). The mission must provide a clear understanding of the system of values adhered by the management and staff of the company in relation to the society, customers and partners. It should

also reflect the strategic vision, credo and philosophy of doing business in the poultry meat processing enterprise.

Proceeding to the development of the mission, it is necessary to take into account the nature of the company's functioning environment in the current time and, especially in the future. Then it is necessary to understand the main direction of activity, to identify the general nature of the enterprise's behavior, after which the destination mission is developed. Then you can proceed to the development of the mission statement of the company, by specifying previously which form it will take: of value focuses, a set of guidelines, a list of rules or principles, philosophy, program statement, credo.

In order to develop the mission concept, at the company an initiative group is formed that includes not only the director, top managers, employees from the departments of strategic development and marketing, informal leaders and, possibly, outside experts. Practice shows that it can be done within the limits of 1-2 seminars of 1-2 days long with the participants from the initiative group. The quality of the set missions can be determined by the level of their compliance with the following criteria: how much the mission contributes to the creation of a favorable environment at the company; how well the main activity of the company is defined; whether the company's consumer category is indicated; whether the needs that must be satisfied are indicated; whether there are distinctive features that allow the company to be distinguished from others in the sector; whether the mission helps to unite employees for effective work in the interests of the company; whether the mission assists in organizing target management; whether the enterprise's public usefulness is adequately defined. After the mission's development, its basic provisions should be communicated to all employees of the company. For this purpose a corporate newspaper or website can be used, as well as other elements of visual propaganda in the premises and offices of the company.

*3. Identification of current key competencies and consumer advantages of the company's products.* The result of using the methods proposed in the research is the identification of inconsistency between the customer's requirements and the available

list of qualities of the poultry meat processing enterprise's products. On this basis for each competency it is necessary to identify the direction of its development in order to increase the usefulness of the company's products for consumers. We suggest identifying the main areas of the enterprise's key competencies development by elaborating the problems tree and the goals tree for the development of the enterprise's key competencies. The identified general problem must be relevant and correspond to the real conditions of the company's activity. The list of reasons must be exhaustive so that solving the problems at a lower level will lead to the solution of problems at a higher level. To work out the problem tree, it is proposed to use one of the existing practical methods of research (Table 2.22).

**Table 2.22. Methods for developing the problem tree and the goal tree**

| Method specification  | Fundamental features   |
|---|--|
| <i>Brainstorming (BS)</i> - a method of collective generation of ideas - line BS - gathering the maximum number of ideas, selection of which is made by experts (7-9 people from different spheres), as a rule, in 1-2 days   | Criticism of suggestions is excluded. Facilitating emergence of the maximum number of ideas. Encouraging bold and extraordinary ideas, combination of expressed ideas and their development.   |
| <i>Synectic storm</i><br>The term "synectics" refers to the combination of different elements<br>Synectics is a kind of BS that differs from it only in the work organization of the creative group assembled for the solution of a particular task. A programmed discussion. Is a kind of the group discussion method. | The elements of criticism are acceptable. It is obligatory to use four techniques based on analogies:<br>* Direct analogy ("How are problems similar to this one solved?");<br>* Personal analogy or empathy ("Let's try to get into the image of this subject and see what is the personal analogy or empathy of his point of view");<br>* Symbolic analogy ("Formulate a figurative definition of the essence of the problem in two words, in one phrase") |
| <i>The method of focal objects (FO)</i> - the essence is in transferring the features of randomly selected objects to the one placed in the animation focus   | Unprecedented connections, new qualities provoke associations necessary for creative solutions   |
| <i>The method of morphological analysis</i> , or the method of multidimensional matrices, is based on the principle of systematic analysis of new links and relations that arise in the process of matrix analysis of the investigated subject or topic.  | In the process of discussing the problem, first of all its main characteristics are identified. Then, imaginatively, possible combinations of "elements" are "beaded" on each of them. This method requires graphical constructions.   |
| <i>The method of questions "???"</i> is also known as the method of key or control questions, for example, the following seven key questions:<br>Who, What, Why, Where, How, By what, When?   | Activation of the search for original ideas through the questions that are asked in the process of discussion: "What if we do on the contrary?", "What if we replace this element with another one?"   |

Source: adapted [15, 28, 187]

The structure of the goal tree is similar to the problem tree with a mirror conversion of negative formulations into positive ones. At the same time, it is necessary to develop a system of control indicators, which allow to understand whether the goal is achieved; whether customers' expectations are satisfied; what needs to be corrected. In our opinion, the main indispensable and sufficient criteria for selection of indicators are: specificity in terms of quality, quantity and time; measurability within the limits of specific costs; availability of existing resources or additional costs; pertinence of goals and sensitivity to changes.

As verification sources for indicators can be legal acts of various levels, statistical data, polling of consumers and employees of the company processing poultry meat, content-analysis of the media, internal documents of the company, etc.

4. *Evaluation of the internal marketing potential.* Before determining the potential of internal marketing, it is necessary to conduct a general analysis of the internal environment of the poultry meat processing company, the algorithm of which includes the responses of the representatives of the company's management personnel to the following questions:

- What are the main parameters of your business? How would you evaluate the products you sell? What is the uniqueness or difference of your products from those of your competitors?

- If we take four coordinates of the product, which are production, quality, assortment and sales, what are your strong points regarding each of these coordinates with respect to your competitors?

- What information do you have about your competitors? How much of it is sufficient for making operational and strategic decisions?

- Do you have reliable and accurate data that allow you to identify your customers? How often do you do it?

- Who at your company is personally responsible for establishing the relationships with the customer?

- In terms of brand strengths, if the brand leader in your industry ranks by 10 points, how would you rate yourself for this parameter?

- In terms of electronic means of goods delivery or available technological assets, if the leader in e-business has a rank of 10 points, what rating would you give yourself for this parameter?

The choice of means of internal marketing for development of key competencies is suggested to be made on the basis of the determination of the poultry meat processing enterprise's strategic position. The strategic position of the enterprise is represented by a set of quantitative indicators, which characterize the main elements of the internal marketing potential, where the change in the field determines the change in the status of the appropriate element. The field is built by the expert method of assigning points to each element in accordance with items 1-5 of Table 2.23.

**Table 2.23. The Direction of Changing Elements of the Potential**

| № | Change direction                                    | Points |
|---|---|--------|
| 1 | The element is subject to substantial reinforcement | 5      |
| 2 | The element is subject to reinforcement             | 4      |
| 3 | The element does not change                         | 3      |
| 4 | The element is subject to relaxation                | 2      |
| 5 | The element is subject to substantial relaxation    | 1      |

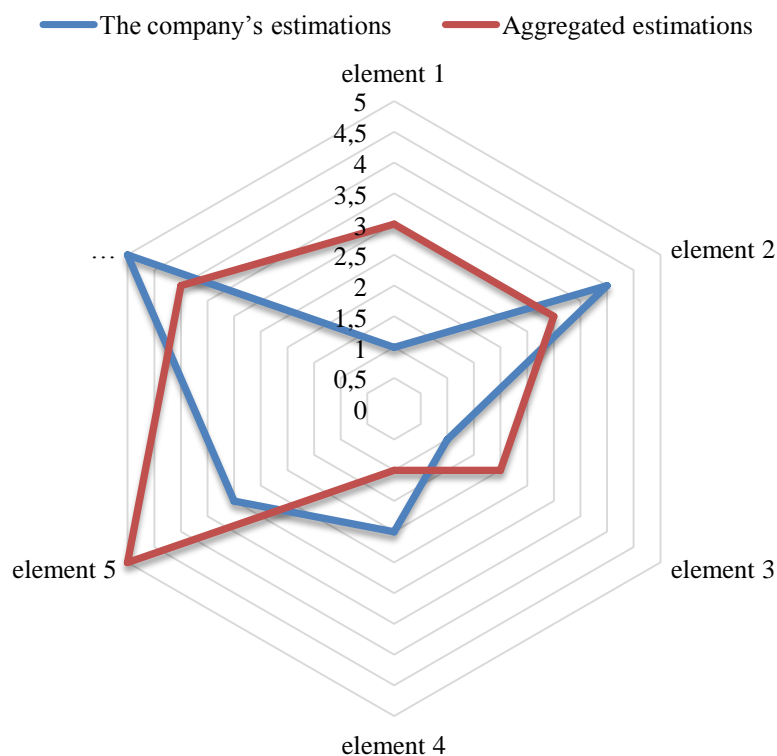
Source: own research

The obtained assessments are the basis for determining the change degree of  $i$ -element of the internal marketing potential, which was planned by the management of the poultry meat processing enterprise:

$$P_i = \frac{\sum_{i=1}^n m_i}{4k} \quad (2.17)$$

where  $P_i$  - is the value of the degree of change of the  $i$ -th element of the potential of internal marketing;  $m_i$  - the number of points awarded to the  $i$ -th element of the targeted structure of the potential of internal marketing;  $n$  - the number of elements in the targeted structure of the internal marketing potential;  $k$  - the number of elements in the existing structure of the internal marketing potential.

The obtained aggregated measured values are reflected on the corresponding coordinate axes. A higher value indicates the necessity to strengthen the corresponding elements of the potential. These elements are the basis for the development of key competencies of the enterprise in the processing of poultry meat.



**Figure 2.13. Internal strategic position of the company**

Source: own research

5. *Formation of the program of the company's key competencies development by means of internal marketing.* Creation of the key competencies development program provides an approach focused on achieving the set goals; splits the activity types into current tasks; clarifies the consistency, duration and priority of tasks; defines key landmarks; determines responsibility of employees and managers. The program of key competencies development for the enterprise processing poultry meat includes:

- Setting the intermediate goals for the development of the company's key competencies;
- Determination of the necessity to create new key competencies;
- Determination of reference indicators for comparison with competitors;



- Selection of those in charge of the company's key competencies, identification of their functions;

- Determination of the number and location of employees - bearers of the company's key competencies, their consolidation in teams, organization of their redistribution (migration) among the departments of the company;

- Use of the selected elements of the internal marketing potential (staff training, internal communications, internal PR-politics, marketing research, segmentation, etc.) to develop key competencies in order to achieve the goals of the company;

- Regular monitoring of the status of existing and emerging core competencies.

Implementation of the program and assessment of long-term goal achievement. Implementation of the key competencies development program of the poultry meat processing enterprise includes the following steps:

1. Make a list of the main activities. Split the activities into tasks. Clarify the sequence and interdependence.

2. Determine the beginning, duration and end of the task. Make a summarized timetable for the main activities. Set the control points.

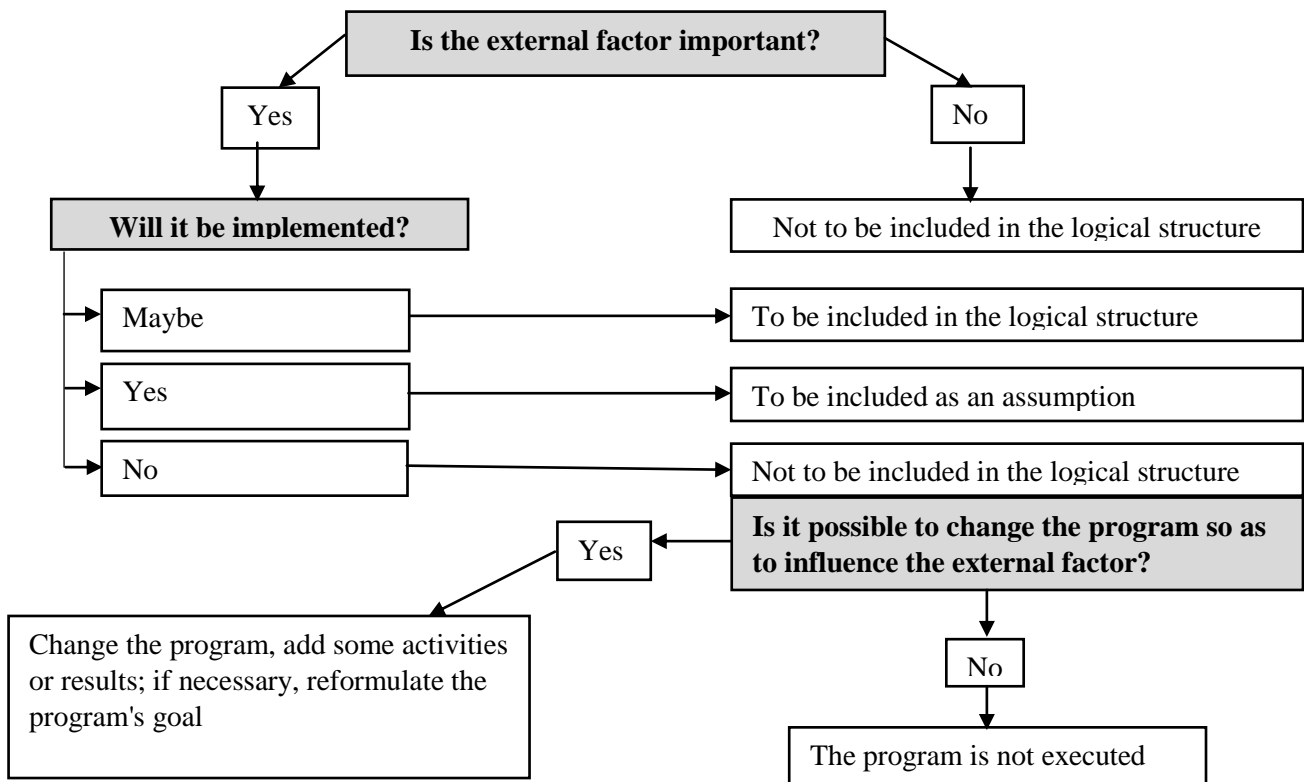
3. Appoint the responsible employees. An important stage is the selection and evaluation of assumptions, i.e. environmental factors that: the management of the company cannot or do not want to control; may be a form of intrusion in the implementation of the program from the outside; are the necessary prerequisites for the start of the work on the development of the program; affect the ability to implement the program and the stability of its results.

The presence of the political support, interconnection with social and cultural groups, etc. can function as assumptions. To evaluate assumptions, we have developed the following scheme-algorithm (Fig. 2.14).

As a results of the recalculated steps, the logical-structural matrix is formed, which includes the identified hierarchy of goals for the development of the company's key competencies by means of internal marketing; indicators of their achievement, sources of verification and assumptions. The developed logical-

structural matrix is the basis for the assessment of achieving the intermediate goals of the program.

6. *Identification of the causes and adjustment of the program.* Assessment of the competitiveness of the agro-industrial enterprise. After the implementation of the developed strategy, its results are evaluated for compliance with the set goals. If necessary, its adjustment is carried out, and the assessment of the enterprise's competitiveness is performed as for the results of implementation of planned measures.



**Figure 2.14. Algorithm of evaluating assumptions**

Source: own research

Thus, the implementation of the model of key competencies development by means of internal marketing should ensure the increase of competitive ability of agro-industrial enterprise by eliminating the discrepancy between the existing properties of the company's products and their highest value from the consumer's point of view.

**CHAPTER 3**  
**STRATEGIC DIRECTIONS FOR**  
**INCREASING THE COMPETITIVENESS OF**  
**AGRO-INDUSTRIAL ENTERPRISES**

### **3.1 Improving the management of key competencies of agro-industrial enterprises**

The developed conceptual model of increasing the company's competitiveness by developing its key competencies through internal marketing was tested on the poultry meat processing enterprises of Dnipropetrovsk region. Identification of priority areas of the company's key competencies development was carried out by questionnaire survey of the management personnel of the following enterprises: PJSC "Oril-Leader", LLC Poultry Plant "Dniprovsky", LLC "Agro-Oven" (Appendix B). The results of the assessment confirmed the presence of the material and technical, financial, organizational and human, information resources necessary for the development of competencies at all the surveyed enterprises.

In the course of the interview with the directors and other representatives of the management staff of the poultry meat processing company, their vision of the development prospects for 10-15 years was revealed. The main prospect is the production of highly competitive products; however, there are negative aspects such as the increased costs of adaptation to the new legislation, increased competition in the domestic market, limited support and protection of agricultural enterprises by the state, increasing the role of non-material assets in capitalization, risks (limited access to investment resources, higher prices for energy and production costs).

Leaders agreed on the fact that in 10-15 years the leading companies in the processing of poultry meat in the region will be vertically integrated complexes, which integrate all stages of production of poultry products - from preparation of high-balanced feed and raising broilers to slaughtering, processing of birds, production and packaging of the finished product.

This will allow controlling all production costs, ensuring the smooth operation of departments, determining the quantitative and qualitative parameters of production and realization of products. Vertically integrated complexes will be located on a very large area, will integrate poultry farms keeping the main herd, hatcheries, broiler

poultry farms, a workshop (or plant) for the production of compound animal feed, processing enterprises, veterinary and sanitary laboratories, as well as product marketing and sales departments.

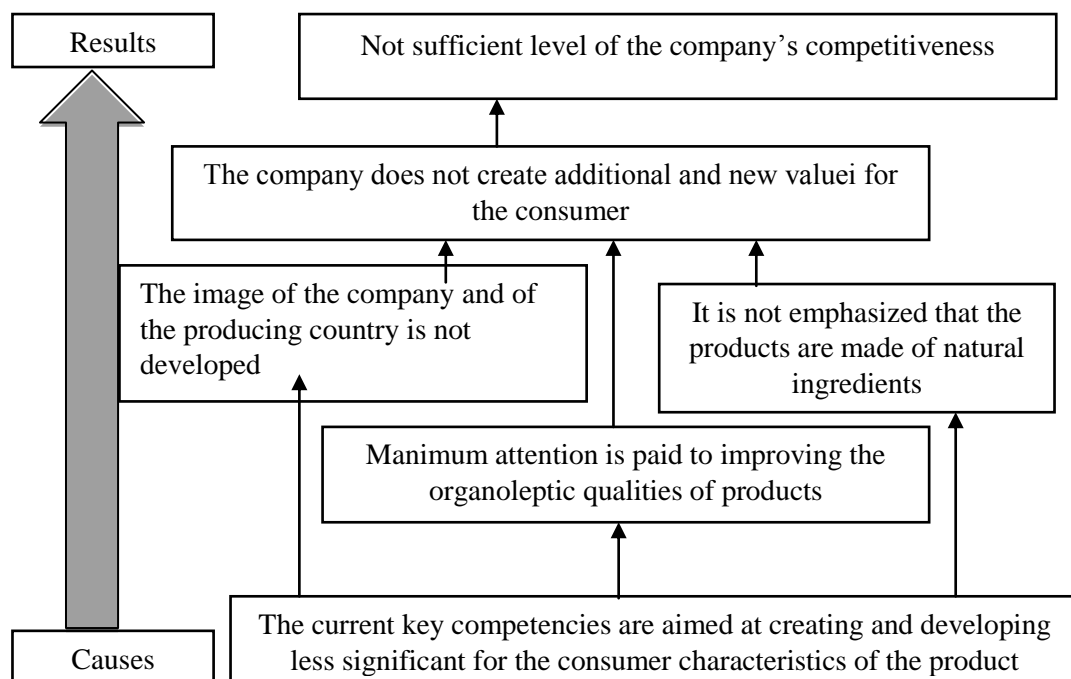
As a target consumer segment in the long-term perspective, in the same way as before, the heads of the poultry meat processing enterprises consider the population of the country a priority. In the complex of marketing, most companies want to focus on the selling price (which is planned to decrease at the expense of reducing the value of the produced goods), product (improvement of its quality characteristics, expansion and enlargement of the assortment) and distribution channels (development of electronic sales system, company stores).

On the basis of the found ideas about the prospects for development of poultry processing enterprises and identification of existing and potential target markets, we propose to specify the mission of the company, on the example of “Oril-Leader”, as follows: “Our business model is built on a fundamental belief that direct interaction with customers is essential to understand their expectations and maximize their satisfaction. Finding loyal customers, offering them the products of domestic poultry meat producers, high quality at an affordable price, we do not just produce the product, but do it cheaply, fast, correctly, with the use of innovative technologies. The soul of the enterprise is a general system of our core values. We believe that the basis of our continued success is teamwork and the ability to learn, develop and grow for each employee. We appreciate the responsibility and reward those who continually improve their performance and increase their contribution to the common cause. We create new jobs. Our credo is innovation in any aspect of doing business, a quick and correct response to the customers, creation of in-depth bilateral communication with customers, partners, suppliers. We want to go forward and only forward, without looking back, through the thorns to the stars”.

The next step is the analysis of information about the market of poultry processing products of Dnipropetrovsk region, detection of consumers' preferences as for the list of properties of the poultry products; building a hierarchy of resources, business processes and competencies of the leading poultry meat processing

enterprises and assessment of the level of their integration with the external environment. In addition, on the basis of the developed methodology, the level of competitiveness and areas of key competencies development were determined.

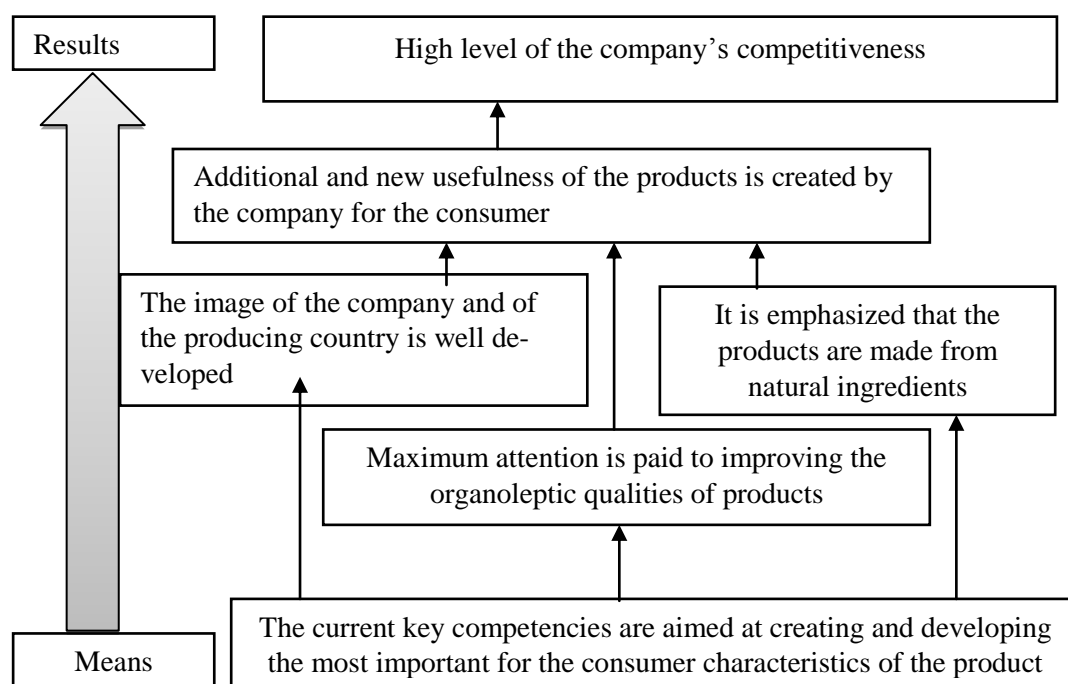
At this stage, the Problem Tree and the Goal Tree were created for “Oril-Leader” PJSC (Fig. 3.1). At the same time, the basis for determining the company's goals is the necessity to develop its key competencies for creation of the most qualitative consumer properties of the products.



**Figure 3.1. The Problem Tree of “Oril-Leader”, PJSC**

*Source: own research*

Based on the elaborated problem tree, the tree of the company's objectives was created.



**Figure 3.2. The Goal Tree of “Oril-Leader”, PJSC**

Source: own research

The analysis of the problems of cause-and-effect relations and the establishment of the existing variants of defining these problems allowed us to rank the goals of developing the company’s key competencies (Table 3.1).

**Table 3.1. The Goal Hierarchy of Key Competencies of “Oril-Leader”, PJSC**

|                    |  |  |  |
|--------------------|--|--|--|
| Overall objective  | Increasing the level of the company’s competitiveness  |  |  |
| Intermediate goals | Improving the existing and creating new product features, which increase product usefulness for consumers                      |  |  |
| Results            | An improved image of the company and of the producing country  | Enough attention is paid to improving the organoleptic qualities of products | It is emphasized that the products are made from natural ingredients |
| Activities         | The existing key competencies are aimed at creating and developing the most important product characteristics for the consumer |  |  |

Source: own research

As a result of the research, the system of control indicators was developed, which in measurable markers describe the goals of the company and are the basis for determining its efficiency, as well as the sources of verification (Table 3.2).

**Table 3.2. Goals for the development of key competencies of “Oril-Leader”  
 and indicators of their achievement**

| Hierarchy of purposes |   | Indicators  |
|-----------------------|---|---|
| Overall objective     | High level of competitiveness of the company  | The company’s market share increased by 30% by 2016   |
| Intermediate goal     | Improvement of existing and creation of new features of products, which increase their usefulness for consumers | The hierarchy of product properties according to the level of their importance from the consumer’s and the manufacturer’s points of view match by more than 80% |
| Results               | 1. Enough attention is paid to improving the organoleptic qualities of products                                 | Organoleptic qualities of the company's products are rated at 5 points on a 5-point scale by more than 50% of customers   |
|                       | 2. An improved image of the company and of the producing country  | The trademark of the company is known to more than 70% of the population of the region  |
|                       | 3. It is emphasized that the products are made of natural ingredients   | Environmental friendliness and safety of the company's products are rated at 5 points on a 5-point scale by more than 50% of consumers                          |

Source: own research

As a source of indicators verification at the level of the overall objective is an annual analysis of the company’s production and financial activities. At the level of intermediate goals and results – a questionnaire survey of product consumers and of the management personnel of the enterprise-manufacturer. At the level of actions - report about retraining and staff qualification improvement, accounting data, content-analysis of regional media. Assessment of the potential of internal marketing of “Oril-Leader” was carried out in cooperation with the management of the company and its employees, on the basis of the developed list of the basic needs of the staff as internal customers of the company:

1) needs and desires related to working conditions (remuneration, schedule, career growth, location of workplace, etc.);

2) needs and desires related to receiving qualitative services (information, products, data, etc.) from their internal suppliers, which affects the ability to provide quality services to internal and end (external) consumers.



By means of questionnaire-survey of 127 employees of the company, the level of importance of satisfaction of their certain needs was determined. According to the results of the conducted calculations, the needs were ranked according to the components of the personnel satisfaction matrix (table 3.3).

**Table 3.3. Matrix of satisfaction of the staff’s needs of “Oril-Leader”, PJSC**

| Satisfaction level of needs | Importance for the staff   |   |  |
|-----------------------------|--|---|--|
|                             | High   | Medium  | Low  |
| High                        | Career growth<br>Incentive system<br>Social security<br>Corporate culture              | Training<br>Influence on decision making at the level of the company’s management | Location of workplace  |
| Medium                      | Remuneration<br>Working schedule<br>Workplace<br>Quality services from other divisions | Awareness about the mission of the company.<br>Mutual responsibility of employees | Setting specific indicators for assessing the results of the employee’s work |
| Low                         | Awareness about the main competitors<br>Concordance of job rights and duties           | Inter-functional connections  | -  |

Source: own research

Based on the needs ranking, the “Potential for use” (needs of high / medium importance, high / medium satisfaction) and the "Potential for development" (needs of low importance and low level of satisfaction) were determined for the PJSC “Oril-Leader”. By additionally ranking the elements of “potential for development” by the level of costs, for their satisfaction the prioritized areas of the potential development of the enterprise’s internal marketing were defined - adjusting the balance of job rights and duties, establishment of inter-functional connections and increase of employees' awareness about the main competitors (table 3.4. 3.4).

The identified elements of the internal marketing potential are the basis for the development of the company’s key competencies. The choice of internal marketing means for the development of key competencies was made by identifying the internal strategic position for four groups of elements of the company’s internal marketing potential, which are analogous to the components of the marketing complex (product,

price, distribution, promotion): “product” - the job offered to the employee; “price” – an alternative cost of the chosen work; “distribution” - the organizational structure, distribution of employees inside the company; "promotion" - the system of interrelations inside the company.

**Table 3.4. Matrix of the main directions of the internal marketing potential development of “Oril-Leader”, PJSC**

| The level of costs for the potential development | Importance for the staff                 |                              |  |
|--|--|------------------------------|--|
|  | High                                     | Medium                       | Low  |
| High   | -  | -                            | Location of workplace                                      |
| Medium   | Concordance of the job rights and duties | Inter-functional connections | Setting specific indicators for assessing the work results |
| Low  | Awareness about the main competitors     | -                            | -  |

Source: own research

The strategic position of PJSC “Oril-Leader” was determined by the method of expert questioning of the company’s heads, by assigning points to each element of the internal marketing potential (Table 3.5).

**Table 3.5. The change directions in the elements of the internal marketing potential of “Oril-Leader”, PJSC**

| № | The essence of the change                           | Points |
|---|---|--------|
| 1 | The element is subject to substantial reinforcement | 5      |
| 2 | The element is subject to reinforcement             | 4      |
| 3 | The element does not change                         | 3      |
| 4 | The element is subject to weakening                 | 2      |
| 5 | The element is subject to substantial weakening     | 1      |

Source: own research

Score calculations according to the groups of elements of internal marketing potential of PJSC “Oril-Leader” are shown in Table 3.6.

The estimates were summarized by a group of elements, and the obtained aggregated values are shown on the corresponding coordinate axes.

A higher score indicates the need to develop the existing elements of internal marketing potential. The analysis showed that at “Oril-Leader”, PJSC the priority is the development of the group “product distribution” from the elements of the internal marketing potential.

**Table 3.6. Parameters of internal strategic position of “Oril-Leader” by elements of internal marketing potential**

| An element of the internal marketing potential                          | Parameters of the internal strategic position |
|---|---|
| <b>The “Product” group, of internal marketing elements</b>              |   |
| Location of work  | 3   |
| The comfort of the workplace  | 4   |
| Work schedule   | 3   |
| Determination of specific indicators for assessing work results         | 4   |
| Receiving quality services from other divisions                         | 3   |
| <b>TOTAL</b>  | <b>0.85</b>                                   |
| <b>The “Product promotion” group, of internal marketing elements</b>    |   |
| Training  | 5   |
| Career growth   | 4   |
| Awareness about the mission of the organization                         | 5   |
| Awareness about the main competitors                                    | 5   |
| A developed corporate culture   | 4   |
| <b>TOTAL</b>  | <b>1.15</b>                                   |
| <b>The “Product distribution” group, of internal marketing elements</b> |   |
| Training  | 5   |
| Career growth   | 4   |
| Awareness about the mission of the organization                         | 5   |
| Awareness about the main competitors                                    | 5   |
| A developed corporate culture   | 4   |
| <b>TOTAL</b>  | <b>1.15</b>                                   |
| <b>The “Product price” group, of internal marketing elements</b>        |   |
| Remuneration  | 4   |
| Incentive system  | 4   |
| Social security   | 3   |
| <b>TOTAL</b>  | <b>0.92</b>                                   |

Source: own research

This means the improvement of organizational structure, including the ease of territorial workplace location for individual employees in their distribution by different structural units located in different parts of the region. Plans for the development of elements from the group “product”, i.e. characteristics of work, which the company offers to the employee, are presented in the internal strategic position to a lesser extent. Thus, according to the results of the assessment, to develop key competencies of PJSC “Oril-Leader” it was proposed to strengthen the elements of the groups "product distribution" and " product promotion" taking into account their place in the matrix of staff satisfaction and the main development directions of the internal marketing potential.

According to the results of the conducted research for PJSC “Oril-Leader”, a program for the development of key competencies by means of internal marketing has been developed and is currently being implemented. The developed program includes:

1) Setting general and intermediate goals for the development of key competencies of the company (Table 3.1);

2) Determination of indicators for achieving the set goals (Table 3.2);

3) Making a list of the main activities using the existing company’s competencies to achieve the set goals (Table 3.7).

4) Selection and evaluation of the assumptions:

- Ukraine's accession to international organizations will lead to the fact that the market will have a large number of imported poultry products that are more competitive in price and quality as compared to domestic ones;

- The regional media are in contact with the company’s representatives, giving them the opportunity to develop a positive image of the company;

- The administration of Dnipropetrovsk region continues to support poultry meat processing enterprises;

- For consumers, the following features remain important: taste, color, appearance, smell; the company’s brand and the producing country; the absence of artificial additives, coloring agents, preservatives;

- The products of the poultry processing industry began to meet the consumers' requirements to a significant extent.

**Table 3.7. Measures to improve the usefulness of “Oril-Leader” products for consumers and indicators of their implementation efficiency**

|   | Measures   | Indicators   |
|---|--|--|
| 1. Enough attention is paid to the improvement of organoleptic properties of products | Competencies "innovativeness", "ability to learn", "budgeting", all kinds of business processes and resources are developed in the direction of improving the organoleptic qualities of products by engaging consultants for the implementation of appropriate technologies and by staff training                                  | Training of the staff is conducted; the necessary equipment is purchased; the technologies of processing, packaging, storage and sale of finished products are mastered. Advertising in the media is arranged. |
| 2. The image of the company and of the producing country is improved                  | The competencies "strategic focus", "innovation", "budgeting", "customer focus", existing non-material, financial, organizational and personnel resources are strengthened and aimed at the development of the image of the company and the producing country. The certification according to ISO 9000:2000 standards is performed | Regular promotional campaigns in the media about the high quality, level of service, affordability of prices and variety of products of poultry processing enterprises are conducted                           |
| 3. It is emphasized that the products are made of natural ingredients                 | At the stage of selling products with the use of all necessary resources, such qualities of products as ecological purity and safety are distinguished   | A campaign advertising the company's products as ecologically clean and safe is conducted  |

Source: own research

5) Determination of internal marketing tools necessary for development of the company's key competencies (Table 3.8).

6) Preparation of a list of basic actions for the development of the elements of internal marketing potential:

- Achievement of the awareness about the essence of the program;
- Identification of internal consumers and internal suppliers;
- Identifying the expectations of internal consumers;
- Communicating these expectations to the internal suppliers in order to assess their capabilities to meet these requirements;

- Internal suppliers must perform changes in their work to ensure the necessary quality of internal services;

- Assessment of the quality of the internal services by internal consumers, In addition a two-way communication with internal suppliers must function to be able to inform them about the need to improve their services.

**Table 3.8. Matrix of internal marketing tools and key competencies of Oril-Leader**

| The company's competency | Elements of internal marketing potential                     |                                |  |   |
|--------------------------|--|--------------------------------|--|---|
|                          | "product"  | "price"                        | "distribution"   | "promotion"   |
| Strategic focus          | -  | -                              | -  | training, awareness about the company's mission   |
| Innovativeness           | -  | Incentive system               | Possibility of influencing management decisions                      | awareness about the company's mission and its main competitors  |
| Training                 | workplace, work schedule                                     | Incentive system               | Interdependence of employees, developed inter-functional connections | an evolved corporate culture  |
| Budgeting                | Evaluations of the employee's work                           | -                              | Developed inter-functional connections                               | training, awareness about the main competitors  |
| Customer-focus           | workplace, receiving quality services from other departments | remuneration, incentive system | Interdependence of employees, developed inter-functional connections | training, awareness about the company's mission and its main competitors, a developed corporate culture |

Source: own research

7) Selection of the managers charged with the company's key competencies, clarification of their functions;

8) Determination of the number and location of employees - bearers of the company's key competencies, consolidation of their teams, organization of their redistribution (migration) among the departments of the company.

At this stage, the specific representatives of the personnel, who are the bearers of key competencies, executives of the appropriate business processes, and resources that are converted into the usefulness elements of end products are identified.

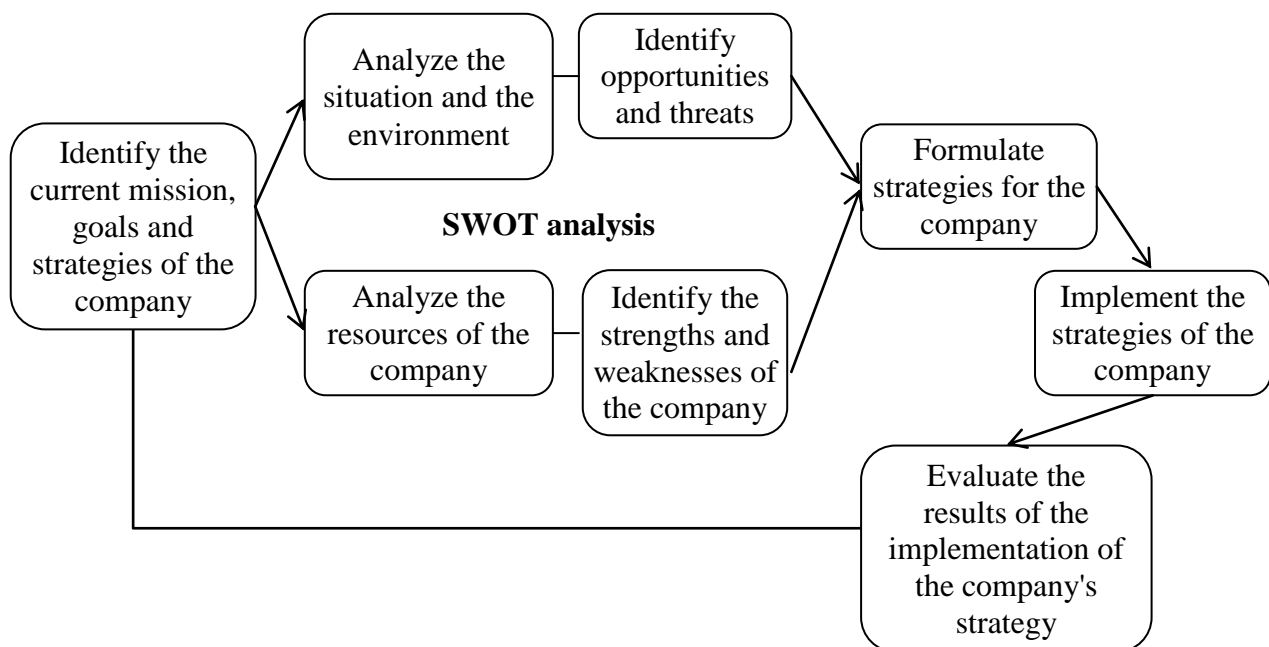
Financial parameters of the program were calculated based on the necessary costs for the formation or reorganization of the base of competencies, business

processes and resources and increase in the input financial flows, projected as a result of expanding the market share by the value of the target segment. Sources of funding the program are the company's own funds, credit and investment resources, government subsidies. The elaborated program of key competencies development to increase competitiveness of “Oril-Leader”, PJSC is at the stage of implementation, its monitoring is being carried out, efficiency of some measures of implementation is being evaluated.

Thus, within the framework of development and implementation of the project to improve the competitiveness of “Oril-Leader”, PJSC the key competencies were identified, the assessment of the level of the company’s competitiveness was made and the main directions for the key competencies development through the internal marketing in order to create additional usefulness of the products were suggested. The implementation of the project in 2014, along with other factors, allowed to increase the sales volumes of the products by 32% and to obtain the economic effect in the amount of 10,381 thousand UAH, which is by 15% more as compared to year 2013.

### 3.2. Improving the branding activities of agro-industrial enterprises

One of the ways to increase the company’s competitiveness in today's economic environment is branding, as an activity focused on brand management of enterprises in the processing of poultry meat. It should be noted that it is not possible to develop a complete brand management system without a clear understanding of the current situation in the company and its place in the external environment. To solve this problem we suggest using situational analysis in the process of strategic management (Fig. 3.3).



**Figure 3.3. The place of SWOT-analysis in the system of strategic management**

*Source: own research*

Within the SWOT-analysis, branding can be a strong side of the company (if such a process exists in the company) or a weak side (if it is only planned or is not used to its full potential). Let us explain this on the example of the Poultry Plant “Dniprovsky”, LLC. Analysis of strengths and weaknesses characterizes the study of the internal environment of the company. Intrinsic environment has several components, each of which includes a set of key processes and elements, their



condition and determines the potential and opportunities that the enterprise has (table 3.9).

**Table 3.9. Analysis of strengths and weaknesses of Poultry Plant “Dniprovsky”, LLC**

| Index                              | Strengths   | Weaknesses   |
|------------------------------------|---|--|
| 1. Current situation on the market | The company has been in the market since 1980<br>An annual growth of sales is observed  | The market share is 36.6%<br>The products are not familiar enough to consumers   |
| 2. Assortment of products          | Products in one assortment line.<br>Continuous expansion of the assortment  | Lack of a wide assortment - the main distinguishing product  |
| 3. Financial opportunities         | Availability of own working capital on the balance, the ability to cover credit loans   | Only short-term crediting takes place  |
| 4. Industrial Potential            | Continuous improvement of production lines<br>Procurement of domestic and imported equipment  | Lack of qualified personnel<br>Lack of production space  |
| 5. Organization of sales           | Cooperation with wholesalers, retail shops and regional distributors.<br>A developed department of direct sales                                       | The Sales Department dominates the Marketing Department  |
| 6. Renovation of products          | Release of new products once-twice per year.<br>Regular advertising of products.<br>Trademarks of the company are registered, products are certified. | Renovations are made without assessing the correlation between the key competencies and consumer requests                  |
| 7. Marketing organization          | Presence in the marketing department of analytical, trade and branding directions   | The company uses separate elements of marketing without a comprehensive marketing strategy.<br>Reduced costs for marketing |
| 8. Prices                          | Flexible price policy.<br>Prices are aimed at the low- and middle-income population   | Consumers have a strong association of "low prices-low quality," which undermines the image of the company                 |

Source: own research

To evaluate the opportunities, let us place each opportunity on the summary matrix of opportunities (Table 3.10).

Let us look at the list of opportunities of the Poultry Plant “Dniprovsky” LLC: withdrawal from the market of some competitors; obtaining the necessary investments in the form of long-term loans; signing of a contract with new distributors; a future stabilization of the economic situation in the country; an increased purchasing power of the population; a relatively high capacity of the

Ukrainian market; creation of a vertical marketing system; the state policy aimed at stabilization of the agro-industrial complex; abolition of payments by sales networks for introducing products into the market.

**Table 3.10. The matrix of opportunities of the Poultry Plant “Dniprovsky”, LLC**

| The probability of the company’s using a certain opportunity | Degree of influence on the enterprise                              |  |   |
|--|--|--|---|
|  | Strong   | Moderate   | Weak  |
| High   | Exit from the market of competitors                                | Signing contracts with new distributors                | Rejection of payments by sales networks for the provided products |
| Medium   | Obtaining the necessary investments in the form of long-term loans | Stabilization of the economic situation in the country | State measures to stabilize the agro-industrial complex           |
| Low  | Creation of a vertical marketing structure                         | Increasing the purchasing power of the population      | A relatively large capacity of the national market                |

Source: own research

According to the results of the environmental monitoring, the matrix of threats is formed (Table 3.11).

**Table 3.11. The matrix of threats to the Poultry Plant “Dniprovsky”, LLC**

| The probability of the threat materializing | Possible consequences for the organization      |  |                                       |   |
|---|---|--|---------------------------------------|---|
|   | Destruction                                     | Critical condition                             | Severe condition                      | Light blows                             |
| High  | Change in tastes and preferences of consumers   | The emergence of new competitors               | Increase of production by competitors | Increase in the price of raw materials  |
| Medium                                      | Reduction of the poultry stock                  | Breakdown of relations with suppliers          | Reduced purchasing power of consumers | Availability of short-term loans        |
| Low   | Breakdown of relations with wholesale customers | Purchase of poultry enterprises by competitors | Introduction of new tougher laws      | Increase in imports of poultry products |

Source: own research

The list of threats to the Poultry Plant “Dniprovsky”, LLC includes: change in tastes and preferences of consumers; increase in production of poultry meat products by competitors; acquisition of poultry processing enterprises and poultry farms by competitors; issuance of the main credit sums for a short period of time; appearance

of new competitors; lower living standards and purchasing power of the population; introduction of tougher laws concerning enterprises; higher prices for raw materials; breakdown of connections with suppliers; breakdown of connections with wholesalers and distributors; reduction of poultry population stock; increase in imports of products.

Thus, registered trademarks of the Poultry Farm “Dniprovsky” (“Znatna Kurka”, “Dniprovski Kurchata”) are its strong side, but the lack of the promotion is the weak side of the company. SWOT-analysis showed that it is not enough to have registered brands as intangible assets, it is also important to conduct branding in the company, thereby increasing its competitiveness.

**Table 3.12. SWOT matrix for Poultry Plant “Dniprovsky”, LLC**

|  | <b>Factors that determine the reliability of business activities</b>   |  |
|--|--|--|
|  | <b>Opportunities:</b>  | <b>Threats:</b>  |
| <b>Factors that determine the efficiency of work</b>   | 1. Contracts with new distributors and wholesalers.<br>2. Exit from the market of a number of competitors.<br>3. Abolition by sales networks of payments for the entry of products in the market   | 1. Increased competition from other manufacturers.<br>2. Shortening of the resource base.<br>3. Disruption of contacts with suppliers and customers.<br>4. A sharp increase in the price of raw materials.   |
| <b>Strengths:</b><br>1. Advanced imported and domestic equipment and technologies.<br>2. Reliable distribution network.<br>3. Registered trademarks.<br>4. Awareness about the consumers’ benefits.<br>5. Price advantage.<br>6. Relatively low production cost. | Expanding the assortment and improving the quality of the products produced.<br>Increasing the quality and volumes of production under registered trademarks.<br>Launch of new products.   | Implementation of high-performance resource-efficient non-waste technologies.<br>Expansion of economic connections with partners in the region and beyond.<br>Keeping prices at a reasonable level for the target audience (low-income population strata).   |
| <b>Weaknesses:</b><br>1. The lack of production areas.<br>2. Low popularity among consumers.<br>3. Lack of finances to change the strategy.<br>4. Incomplete production capacity.  | Development of a marketing strategy and promotion of brands within the framework of this strategy.<br>The company is granted a long-term investment loan at a low interest rate.<br>Financing of activity by means of investment credits.<br>Expansion of production premises and load of production capacities. | Conducting activities that increase customer loyalty to the brand.<br>Development of the strategy for operation of the company, which requires a small amount of financial costs.<br>Reduction of the production costs due to the reduction of variable costs (increase in the production volumes due to the additional loading of production capacities and the expansion of production areas). |

Source: own research

It should be noted that this system only helps to present branding as an organized list of elements with its own sub-elements, but does not make it possible to use it in the daily activities of the company, because the system is based on the qualitative basis, but not on the quantitative one. That is why it is necessary to develop an economic and mathematical model of the directions of increasing competitiveness, using the elements of the identification branding system.

We believe that on the basis of the brand identity system it is possible to develop a methodology for calculating quantitative assessments of brand disciplines.

We recommend to use this system for determining the directions for improvement of branding activities of the leading poultry meat processing enterprises of Dnipropetrovsk region (LLCs “Dniprovsky”, “Agro-Oven”, PJSC “Oril-Leader”), which will allow to:

- Give a quantitative estimation of each element of the system at the surveyed enterprises and compare it with that of competitors;
- Identify ineffective areas of branding activities of the company;
- Point out possible ways to improve it;
- Give recommendations to each surveyed company on how to improve its competitiveness.

The methodology includes the following steps:

1. *Selection and validation of weight coefficients.* Since all four brand-disciplines ( $L - 4$ ) are equal in value, it is reasonable to give each of them a coefficient of 0.25. We divide it for each discipline  $l$  by the number of structural elements  $n$ , which are also equal in value. Let us define these coefficients by  $k_i^l$ .

2. *Expert evaluation of the elements of the brand identity system at the surveyed enterprises.* Expert evaluation of each discipline's element was carried out according to the maximum possible evaluation of 10 points. We will calculate the assessment through  $B_i^l$ , ( $i = \overline{1, n}; l = \overline{1, L}$ ).

3. *Calculation of quantitative estimations  $x^l$  of brand-disciplines:*

$$x^l = \sum_{i=1}^n k_i^l B_i^l \quad (3.1)$$

The results of the calculations are shown in Table 3.13. The bold font in the table shows the summary quantitative brand scores of the surveyed companies. We acknowledge that receiving a summary score of less than 2 points from any direction indicates poor branding activities of the company.

**Table 3.13. Evaluation of the elements of the brand identity system at the surveyed enterprises**

| Elements of the brand identity system | Coefficient | Poultry Plant “Dniprovsky”, LLC |               | “Agro-Oven”, LLC |               | “Oril-Leader”, PJSC |               |
|---------------------------------------|-------------|---------------------------------|---------------|------------------|---------------|---------------------|---------------|
|                                       |             | Points                          | Total         | Poi<br>nts       | Total         | Poi<br>nts          | Total         |
| <b>Brand - Strategy</b>               | <b>0.25</b> | -                               | <b>2.2854</b> | -                | <b>1.8212</b> | -                   | <b>1.5712</b> |
| Company                               | 0.0357      | 10                              | 0.3571        | 10               | 0.3571        | 5                   | 0.1786        |
| Buyers and other target audiences     | 0.0357      | 9                               | 0.3214        | 3                | 0.1071        | 8                   | 0.2857        |
| Market                                | 0.0357      | 7                               | 0.2500        | 10               | 0.3571        | 5                   | 0.1786        |
| Category and position                 | 0.0357      | 10                              | 0.3571        | 10               | 0.3571        | 6                   | 0.2143        |
| Product offers and their architecture | 0.0357      | 9                               | 0.3214        | 7                | 0.2500        | 8                   | 0.2857        |
| Message                               | 0.0357      | 10                              | 0.3571        | 5                | 0.1786        | 7                   | 0.2500        |
| Promises and experience               | 0.0357      | 9                               | 0.3214        | 6                | 0.2143        | 5                   | 0.1786        |
| <b>Brand - Individuality</b>          | <b>0.25</b> | -                               | <b>2.3769</b> | -                | <b>1.4595</b> | -                   | <b>1.4595</b> |
| Name                                  | 0.0417      | 10                              | 0.4170        | 7                | 0.2919        | 4                   | 0.1668        |
| Logo                                  | 0.0417      | 10                              | 0.4170        | 8                | 0.3336        | 9                   | 0.3753        |
| Subtitle (slogan)                     | 0.0417      | 10                              | 0.4170        | 2                | 0.0834        | 7                   | 0.2919        |
| Design System                         | 0.0417      | 10                              | 0.4170        | 5                | 0.2085        | 7                   | 0.2919        |
| Individuality                         | 0.0417      | 8                               | 0.3336        | 8                | 0.3336        | 7                   | 0.2919        |
| Assets                                | 0.0417      | 9                               | 0.3753        | 5                | 0.2085        | 1                   | 0.0417        |
| <b>Brand - Management</b>             | <b>0.25</b> | -                               | <b>2.4000</b> | -                | <b>1.4500</b> | -                   | <b>1.7000</b> |
| Planning                              | 0.05        | 10                              | 0.5000        | 8                | 0.4000        | 8                   | 0.4000        |
| Training and adaptation               | 0.05        | 8                               | 0.4000        | 3                | 0.1500        | 6                   | 0.3000        |
| Monitoring and auditing               | 0.05        | 10                              | 0.5000        | 5                | 0.2500        | 8                   | 0.4000        |
| Tools                                 | 0.05        | 10                              | 0.5000        | 4                | 0.2000        | 7                   | 0.3500        |
| Development                           | 0.05        | 10                              | 0.5000        | 9                | 0.4500        | 5                   | 0.2500        |
| <b>Brand - Perception</b>             | <b>0.25</b> | -                               | <b>2.2935</b> | -                | <b>1.2927</b> | -                   | <b>1.4595</b> |
| Products and services                 | 0.0417      | 10                              | 0.4170        | 9                | 0.3753        | 6                   | 0.2502        |
| Personal interactions                 | 0.0417      | 8                               | 0.3336        | 7                | 0.2919        | 6                   | 0.2502        |
| External environment                  | 0.0417      | 9                               | 0.3753        | 7                | 0.2919        | 2                   | 0.0834        |
| PR and events                         | 0.0417      | 10                              | 0.4170        | 3                | 0.1251        | 8                   | 0.3336        |
| Media materials                       | 0.0417      | 9                               | 0.3753        | 2                | 0.0834        | 8                   | 0.3336        |
| Advertising                           | 0.0417      | 9                               | 0.3753        | 3                | 0.1251        | 5                   | 0.2085        |

Source: own research

Thus, the market leader in the branding industry is the Poultry Plant “Dniprovsky”, LLC. LLC “Agro-Oven” and PJSC “Oril-Leader” are behind in the creation of the company’s image and its brands in all directions, which negatively

affects their competitiveness. Generalized areas of improvement of enterprises' branding activity are shown in Fig. 3.4.

| Brand Strategy   | Brand Individuality  |
|--|--|
| <ol style="list-style-type: none"> <li>1. Create an official website of the company on the Internet, and regularly update it with all the company's changes.</li> <li>2. With the help of marketing research, identify the target audiences for each brand, track changes in them and supply them with appropriate marketing communications.</li> <li>3. Identify the geography of distribution of its products, maintain a high level of representation on this territory, looking for new areas and places of sale.</li> <li>4. Using the McKinsey's matrix, determine the competitive status of brands and to support it with the appropriate strategy.</li> <li>5. Build a precise architecture of brand propositions, including opportunities of the brand expansion in the future.</li> <li>6. Clearly convey the message that the brand carries through packaging, product appearance, quality, marketing communications, etc.</li> <li>7. To observe the correlation between the brand's claims and the experience that consumers gain by trying the brand, to correct the brand claims by improving the quality, appearance, etc. in order to satisfy the emotional and rational needs of consumers.</li> </ol> | <ol style="list-style-type: none"> <li>1. Ensure that the brand name is appropriate to the product itself, with the purpose of eliminating negative and inappropriate associations.</li> <li>2. Control the correspondence of the logo (its look and content) to the product itself and its name.</li> <li>3. Develop a slogan for each brand and broadcast it through communication channels to increase its memorization.</li> <li>4. Constantly work on the design of packaging of the product, introducing the topical and aesthetic changes to it.</li> <li>5. Give each brand such rational and emotional characteristics, so that consumers associate it with the most vital needs.</li> <li>6. Create electronic archives of all materials belonging to the brand, so that all communication channels transmit the same messages and the brand message, so that consumers do not confuse the company's brand with brands of competitors</li> </ol>   |
| Brand Management   | Brand Perception   |
| <ol style="list-style-type: none"> <li>1. In relation to each brand, develop long, medium and short-term plans, monitor their implementation and correct, taking into account the capabilities of the company.</li> <li>2. Regularly inform all employees of the action course in relation to the brands in order to ensure that everyone is informed about the brand changes and can convey this knowledge to potential customers.</li> <li>3. Make the processes of monitoring and evaluation of brand parameters a constant phenomenon in the activities of the company to be able to give a quick response to the actions of competitors and fluctuating demands of consumers.</li> <li>4. Actively use new tools to improve the competitiveness of brands, study their status, teach these methods to all employees of the company.</li> <li>5. Not give up on what has been achieved, develop one's own brand by means of new ideas, appearance, improvement of product quality, etc.</li> </ol>   | <ol style="list-style-type: none"> <li>1. Monitor the conformity of products and their quality to brands (and vice versa), of brand promises and brand message to the products themselves, the employees' qualifications to the brand.</li> <li>2.2. Involve every employee into work on brands by encouraging them materially or by means of career growth so that employees, in interaction with potential customers, create a positive brand image, thus increasing the company's profitability.</li> <li>3. Cultivate relationships with the environment (customers, intermediaries, partners, government, etc.) by establishing a positive reputation of brands and the company through openness and positive communication on any issues.</li> <li>4. Participate in social activities on the territory of product distribution (sponsorship) for the purpose of acquiring a positive image.</li> <li>5. Develop promotional materials for each of the brands, make them available to all customers and partners.</li> <li>6. Regularly and accurately carry out an advertising campaign of products and enterprises through communication channels, so as not to become forgotten by customers and partners.</li> </ol> |

**Figure 3.4. Directions of branding activity improvement**

Source: own research

After obtaining the assessment results, recommendations for each surveyed company can be given. The enterprise Poultry Plant “Dniprovsky”, LLC has the highest indicators obtained by calculations of the economic and mathematical model of the brand identity system. However, the company should pay attention to every aspect of its branding activities in order to maintain a leading market position.

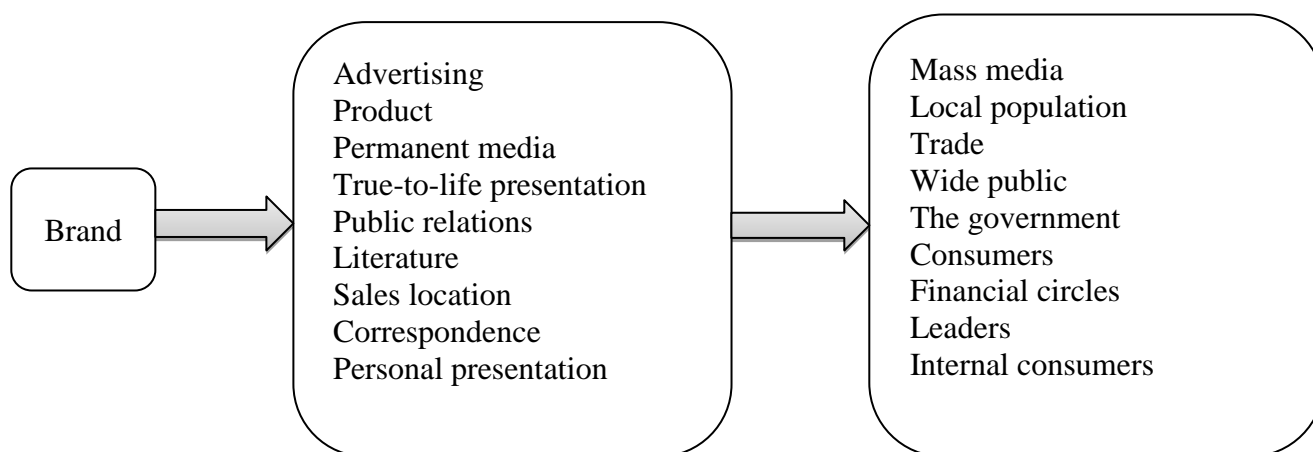
The enterprises “Agro-Oven” and “Oril-Leader” are behind the indicators of the survey. The latter of them does not even have a marketing department or a person in charge of the brand promotion. Some of the functions of the brand creation were taken over by the sales, technological and accounting departments (ordering new packaging, compliance with patent laws, creation of new products). Therefore, the first thing the company should do is use marketing-oriented approach to management, create a marketing department or contact a branding agency. These steps will help create a distinct brand image in the minds of consumers and choose the right brand strategy.

Despite the presence of the marketing department in LLC “Agro-Oven”, it is also behind the leaders in terms of branding activities. This indicates that the policy in this area is not consistent, although the management of the company declares a marketing-oriented approach to management. That is why, they need to confirm in practice the creation of brands that meet the consumers’ needs. It is also necessary to take measures to increase consumers’ awareness of their brands through competitions, promotions, presentations, sponsorship and advertising in the media.

Advertising, as a part of marketing communications, is the most important component in the system of brand identity and in the company’s brand activity in general. It is the brand activity that builds the brand (as an image of the trademark and as asset of the company) and its position in the market, thereby increasing its competitiveness. The presence of advertising shows the company’s focus on the customer, the desire to meet the consumer’s needs and the search for new ways to expand its presence in the market. Therefore, we believe it is necessary to improve the competitiveness of enterprises through marketing communications, as a means of connecting the brand to consumers.

Marketing communications - these are planned long-term activities for the establishment and maintenance of the goodwill and mutual understanding between the company and its environment. They must be present at all stages of the product's flow by distribution channels, as well as at all stages of the customer's decision to purchase.

The coherence of the brand with the key audiences through communication channels is shown in Fig. 3.5.



**Figure 3.5. Relationship of the brand with the key audiences through marketing communication channels**

*Source: own research*

The aim of marketing communications is to provide the possibility and support for the customer to pass through the following stages: notify the customer about the goods or the company; develop the customer's interest and stimulate the search for additional information; give the customer the opportunity to evaluate and compare the product in order to make a decision as for the trial purchase; create conditions for the customer to test the new product on a small scale in order to more fully evaluate its benefits.

Brand building tools are marketing communication costs, through which the company seeks to inform, influence and inform the customers directly or indirectly about its products and brands. The use is aimed at creating a platform for building the dialogue and relationship with customers [43].



The classification of marketing communications is presented in Table 3.14. It should be noted that it is very difficult to give a clearly defined classification of the types of communications due to their constantly changing nature. However, we can distinguish eleven main types of marketing communications: advertising, direct marketing, sales promotion, packaging, sales location designing, corporate style of the company / brand, product marketing, sports marketing, informational presence in the Internet, participation in exhibitions, fairs, personal sales.

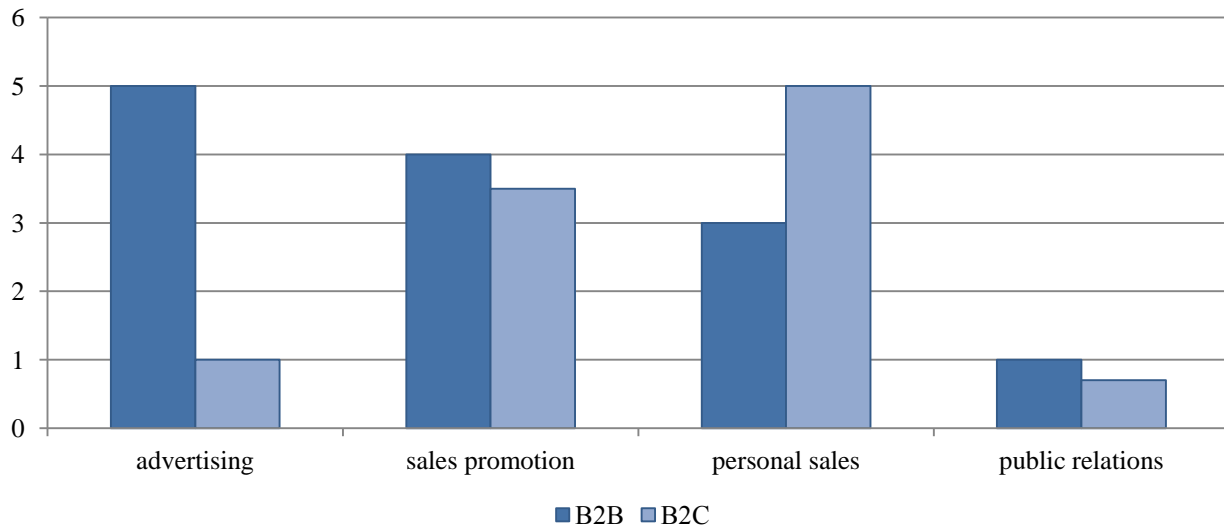
**Table 3.14. Classification of marketing communications**

| Indicator   | Types of marketing communications |                     |             |                |                         |   |       |
|---|-----------------------------------|---------------------|-------------|----------------|-------------------------|---|-------|
| Creation place (element of the marketing complex) | Product                           |                     | Price       |                | Promotion               |   | Place |
| Type of the process organization                  | Direct                            |                     |             | Mediate        |                         |   |       |
| Duration of the activity                          | Short-term                        |                     | Medium-term |                | Long-term               |   |       |
| The activity focus                                | Of the end consumer               | Of the intermediary | Of partners | Of competitors | Internal organizational | On the state authorities, on the public opinion |       |
| Mechanisms of development                         | Consciously                       |                     |             | Unconsciously  |                         |   |       |

Source: own research

These types of marketing communications form a set of communications - a certain combination of communication tools designed to provide certain information with varying significance for the purpose of embracing the target market within a certain budget. The question of the importance of this or that type of marketing communications or promotion elements is quite complex. For a specific product, at a specific time, for the solution of specific tasks different combinations of communications are used. Thus, for the market of industrial goods and services (business-to-business) direct marketing and public relations played the biggest role. For the market of mass commodities with a relatively small purchase cycle (fast-moving consumer goods - FMCG) promotion through the direct advertising and sales is the most pertinent, where packaging is much more important than in the market of

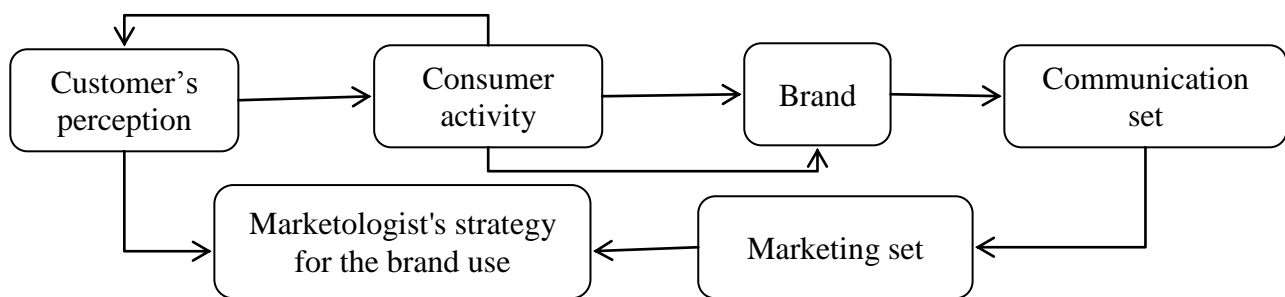
industrial goods. The relative efficiency of certain methods of product promotion for different types of markets is shown in Fig. 3.6.



**Figure 3.6. Efficiency of selected methods of product promotion**

Source: own research

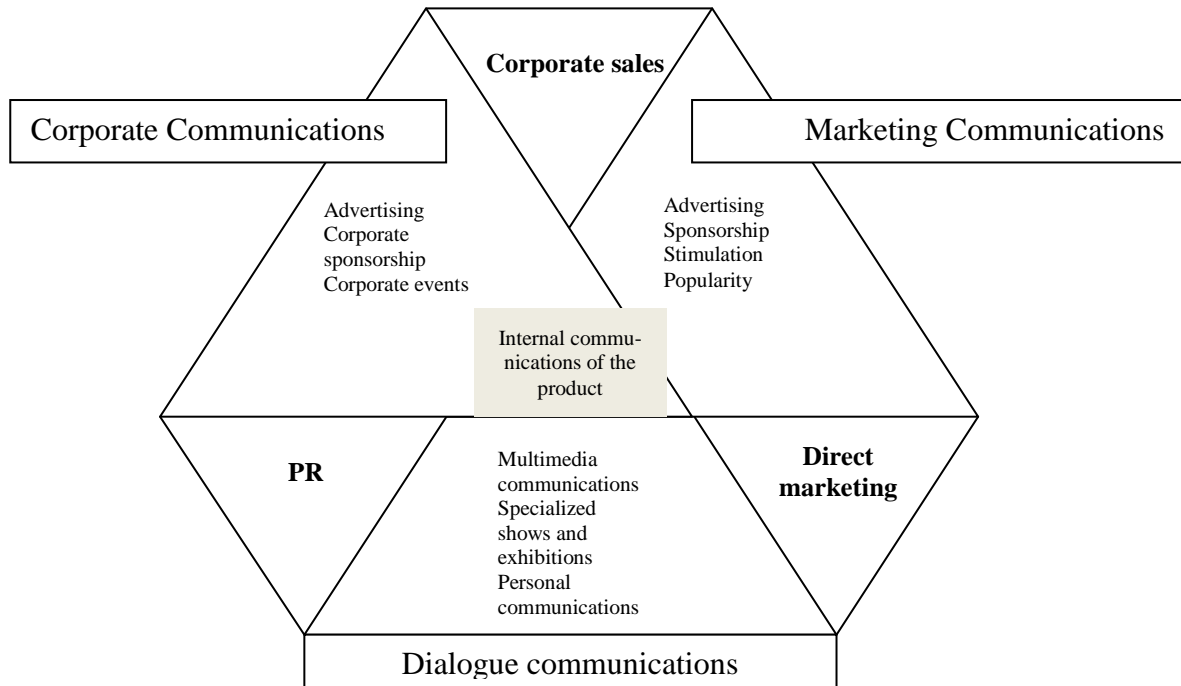
Co-ordinated marketing communications, on the one hand, are located near the consumer, on the other hand, the task of the manufacturer is to develop such a strategy of activity that would ensure the maximum result within the limits of its business goals achievement. The link between these processes is brand activity: what is the consumer’s attitude to the brand and how the company’s marketologist develops its own brand. These two processes must be integrated in the marketing activities of the poultry meat processing company (Fig. 3.7).



**Figure 3.7. Brand as a key element in the process of integration of marketing communications**

Source: adapted [1,61, 68, 82]

The next criterion for classifying the communication strategies of the brand is defining the common purpose of the corresponding communication activities. We suggest distinguishing among corporate, marketing and dialogue communications. Fig. 3.8 presents specific tools and contact areas of different types of communications.



**Figure 3.8. Instruments and interaction boundaries of corporate, marketing and dialogue communications**

Source: adapted [122, 126, 146]

The interaction of these components is important for increasing the competitiveness of the agro-industrial enterprise.

### **3.3 Developing the advertising campaign for agro-industrial enterprises**

Efficient communication of brand values is essential for a more complete realization of its potential. The main form of brand communications in most markets is advertising in mass media. The current level of market saturation does not allow to reach a high level of sales without informational support of own products. Even the best products with good characteristics will not have a high level of competitiveness without the prior preparation of consumers. Advertising today is a dynamic and promising sector of the enterprise's commercial activities. Due to this fact, mathematical models and methods of building an effective media plan for the poultry meat processing company's advertising campaign is an essential part of increasing the competitiveness of its products.

A media plan is a plan for placing advertising appeals that contribute to the branding development. This document contains answers to the questions: where to place, how often to place, when to place, how much money to spend on that. A media-plan is formed as a result of the analysis of a set of factors that characterize this or that media-means. Conducting promotional activities is preceded by the marketing research, one of the tasks of which is the creation of mechanisms for rational distribution of resources for the implementation of advertising activities. Considering the need for informational brand support, some manufacturers go to the other extreme: they spend a lot of money on advertising and do not get the desired results.

We believe that it is impossible to predict beforehand how to conduct the advertising campaign at the lowest cost and to obtain the desired return. That is why in practice the method of "trial and error" is often used, when based in the best case on the experience of competitors, in the worst – on one's own, the advertising campaign is planned, by coordinating the already implemented plans. Among the approaches to the creation of models, we can single out the two main approaches:

- models based on the direct economic efficiency of advertising, that is, with an assessment of statistical data;

- models based on the efficiency of the advertising's psychological impact on people's consciousness (attracting attention to the brand, memory fixation, etc., the communicative function is used here).

We propose an economic and mathematical model of the advertising budget distribution of the poultry meat processing company aimed to increase the volume of product sales. Table 3.14 allows us to rank the benefits of the consumers of semi-finished products according to the sources of advertising information used by LLC "Agro-Oven" in 2014.

**Table 3.14. Advertising sources used by respondents of Agro-Oven, LLC**

| Media channel   | % of responses | Media channel        | % of responses |
|-----------------|----------------|----------------------|----------------|
| Agrosfera       | 26.4           | Silpo                | 0.9            |
| Agrotender      | 10.9           | Caravan              | 0.9            |
| Procurement     | 7.4            | Varus                | 0.6            |
| ua.all.biz      | 3.7            | Brusnychka           | 0.6            |
| prom.ua         | 2.9            | Billa                | 0.6            |
| Flagma.ua       | 2.6            | Trash Market         | 0.6            |
| agrobirzha.info | 2.3            | Metro                | 0.6            |
| Agrogroup.com   | 1.7            | Others               | 3.7            |
| Gastronoma.net  | 1.4            | Impossible to answer | 30.9           |
| ATB             | 1.4            |                      |                |

Source: own research

We believe that the poultry meat processing enterprise can order advertisement of its products in the information source  $j$ ,  $j = 1, \dots, m$ . Let us assume that there is  $m$  number of information sources in which advertising advertisements can be placed.

Let us mark through:

$\bar{D}_j$  – is the maximum number of advertisement emissions on channel  $j$ ;

$\underline{D}_j$  – is the minimum number of advertisement emissions on channel  $j$ ;

$C_j$  – is the cost of the advertisement message on channel  $j$ ;

$a_j$  – is the profit from the placement of the advertisement on channel  $j$ ;

$B$  – is the value of the advertising budget.

The sought values are  $x_j$  – is the number of releases of the message on channel  $j$ . Then, the model of budget planning of the poultry meat processing enterprise is as follows:

$$L(x) = \sum_{j=1}^m a_j x_j \rightarrow \max \quad (3.2)$$

There are some restrictions imposed:

$$\begin{cases} \sum_{j=1}^m c_j \cdot x_j \leq B \\ \overline{D}_j \leq x_j \leq \overline{D}_j, j = \overline{1, m} \\ x_j \in Z, x_j \geq 0 \end{cases} \quad (3.3)$$

Model (3.2, 3.3) is an optimization problem with integer variables and can be solved by the method of branching and limitations.

We will calculate the efficiency of implementation of the proposed model (3.2, 3.3), considering that the cost of placement of one advertisement in one media channel once a day is: "A" – 13,741 UAH, "B" – 13,216 UAH, "C" – 13,869 UAH, "D" – 13,900 UAH. [109]. Efficiency of contribution to the media channel: "A" – 40,000 UAH, "B" – 35,000 UAH, "C" – 25,000 UAH, "D" – 20,000 UAH, the maximum possible size of the enterprise's advertising budget is 400,000 UAH per month. On the basis of the above data, it is necessary: to maximize the total income of the company from the processing of poultry meat; to determine the optimal number of appearances of the advertising message for each channel.

Let us create an optimization model based on the data:

$$\begin{cases} 40000x_1 + 35000x_2 + 25000x_3 + 20000x_4 \rightarrow \max \\ 13741x_1 + 13216x_2 + 13869x_3 + 13900x_4 \leq 400000 \\ 0 \leq x_j \leq 30, de j = \overline{1,4} \end{cases} \quad (3.4)$$

As a result of calculating the model by means of Microsoft Excel, we obtain the optimal solution of the tested model. The maximum value of the target function is 270,000 UAH. The advertisement should be placed in 5 emissions on channel "A" and in 2 emissions on channel "B". Model (3.5) is based on the static information about forecasting sales volumes of the product after the announcement is submitted to mass media. However, it cannot be used for a new promotional product. In this

regard, we suggest an approach based on remembering and forgetting by individual consumers information about the product.

The main type of information in advertising is a text, an advertising slogan and a visual image that must be associated with the brand. The picture serves to involve the reader. It is obliged to incorporate a bright image that embodies the basic idea of advertising products. Considering that people have to deal with a lot of advertising information, it is obvious that the consumer cannot remember for a long time the image of poultry meat products that does not evoke any content associations. The advertising element that combines the text message and the picture is the advertising slogan. It is the slogan that conveys the main information that the reader remembers.

Thus, the entire process of perceiving the advertising message is composed of two stages: assimilation of advertising information; gradual forgetting with the flow of time. We will take  $P$  for the probability that the reader will notice the advertisement during a single viewing of the advertisement. Let us consider the main factors that affect this value. First of all, the likelihood of remembrance is affected by attractiveness of the advertisement itself (a striking visual image and an effective slogan) and the level of creativity. There are several examples of ads with a very high level of creativity. They are remembered more easily and for a longer time. Nevertheless, the biggest part of them are ads that can be characterized as a combination of a good image - the company's or the product's brand and the slogan.

The size of the advertising block also affects the probability of recalling. Let us assume that at the time  $t = 1$  the reader saw the advertisement of the company processing poultry meat. At this moment, he has the maximum amount of information. At the next moments the process of forgetting information begins. Let us introduce into consideration the representation of  $Y: [1, T] \rightarrow [1, 0]$ , where  $Y(1) = 1$ , and the value  $Y(t)$  characterizes the volume of information which the individual can remember at the time  $t$ . The function  $Y(t)$  - is called the function of forgetting information.

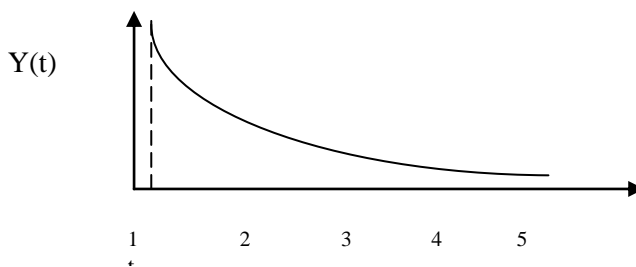
In this case  $Y(t)$  has the following properties:

$$\begin{aligned}
 Y(1) &= 1; \\
 Y'(t) &< 0 \\
 Y''(t) &\geq 0 \\
 Y(T) &\rightarrow 0, \text{ with } t \rightarrow \infty
 \end{aligned}
 \tag{3.5}$$

Investigations of practical psychology show that the process of forgetting is well described by the exponential relationship [23]. This approximation gives the best results for small amounts of information, which is fully acceptable in this case (assuming that the consumer perceives only the minimal information). Graphically the dependence can be represented in the form of an exponential curve (Fig. 5.10). At the moment of time  $t = 1$  the user notices the advertisement. If after that no new information comes, then forgetting takes place.

$$Y(t) = k \cdot e^{-b \cdot t} \tag{3.6}$$

Where  $t$  - time in days;  $k$  - amount of information (since it is minimal, we can take as  $k = 1$ );  $b$  – a constant, which characterizes the speed of forgetting (1 / day). This constant is determined experimentally according to the respondents' description of forgetting information. After collecting the data, the smallest squares method is used to find parameter  $b$ .



**Figure 3.9. The process of forgetting information**

Source: own research

Let us assume that at the moment of time  $t = [1, \dots, T]$  the individual is influenced by the advertisement of one and the same product. Each review of the advertisement is stored in mind of the individual, which leads to an increase in the amount of



information that is stored. In this case, the function of forgetting information has a gap in the points  $t_i$  and on each  $[t_{i-1}, t_i]$  appears as:

$$Y(t_0) = 1, Y(t_{i-1}) = 1;$$

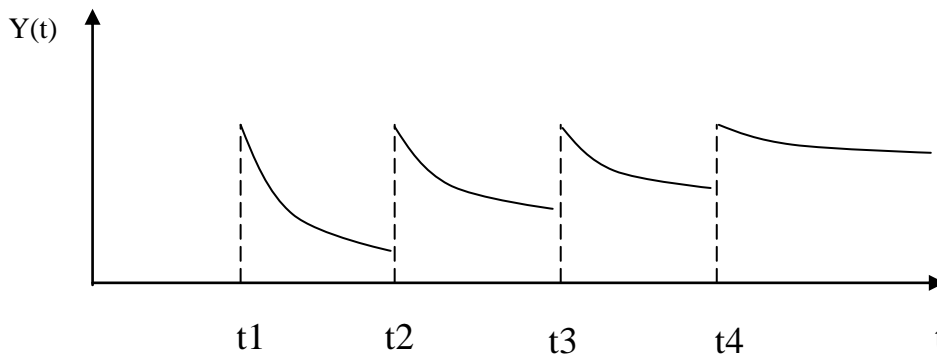
$$Y(t) = e^{-b_i(t-t_{i-1})}$$

where,  $t \in [t_{i-1}, t_i], b_i < b_{i-1}$  (3.7)

In the general case it can be considered that  $b_i = \frac{b_1}{n^{i-1}}$  with  $\Delta_i \rightarrow 0, i \rightarrow \infty$ , where  $b_1$  - is the coefficient of forgetting at the first input of the information.

If the consumer has seen the advertisement for the second, third, etc. time, the process of forgetting, starting from the moment of each successive portion of information, runs according to the same principle as for the first time (Fig. 3.9).

Considering the memory property to forget less intensively with repetitions, with a large number of repetitions, and short intervals between them, the individual respondent will remember information for almost an unlimited amount of time.



**Figure 3.10. The function of forgetting when the advertisement is repeated several times**

Source: own research

We propose an economic and mathematical model of funds distribution for the advertising campaign. The criterion of optimality is implementation of effective measures to allocate the company's advertising budget in a particular media outlet. Let us assume that:

$J$  is the company's budget for the advertising campaign;

$a$  - cost of placement of one advertisement on the channel (it is the same for all periods of broadcasting);

$T$  is the period of the advertising campaign (in weeks), i.e.  $T = 1 \dots n$ .

It is necessary to distribute the advertising blocks in the optimum way in time, for a given period  $T$ . The sought for will be the vector:

$y = (y_1, \dots, y_n)$  - mode of the advertising campaign,

where,  $y_i = \begin{cases} 1, & \text{if at the moment } t_i \text{ the announcement is placed;} \\ 0, & \text{in other cases} \end{cases}$

With the available variables, the target function must be maximized by the volume of information that was remembered at a certain period of time:

$$\sum_{i=1}^n V_i \rightarrow \max$$

Upon that,  $V_i = \int_{t_{i-1}}^{t_i} Y(t) dt, \forall i = 1..n$

where  $Y(t) = e^{-b_i(t-t_{i-1})}, t \in [t_{i-1}, t_i], b_i < b_{i-1}$

Let us note the obtained model of optimization:

$$\begin{cases} \sum_{i=1}^n y_i \cdot \int_{t_{i-1}}^{t_i} e^{b_i/n^{i-1}(t-t_{i-1})} dt \rightarrow \max \\ \sum_{i=1}^n a \cdot y_i \leq J \\ y_i \in \{0,1\} \end{cases} \quad (3.8)$$

The unknown parameter  $b_1$  of the model (5.8) is suggested to be calculated on the basis of statistic information by the least squares method. Since this constant is determined experimentally, it is necessary to carry out a statistical analysis to calculate  $b_1$ . For the purpose of classification, it is necessary to choose the factors that influence this parameter, for example: age, profession, education, etc. We shall investigate the behavior of a certain category of readers - "consumers of sausage products", because the collected data most accurately represent this very group.

To find the parameter  $b_1$  a polling survey was carried out. According to the observation results, it is necessary to determine the volume of information at each

moment of the survey, i.e.  $y(t_k)$  - is the real amount of information at the moment of time  $t_k$ . For this purpose from the all information volume, which was stored, we select the necessary information, the use of which results in the motivation to make a purchase. Thus, the following scale was developed:

- A) products (that are advertised);
- B) an enterprise (manufactures these products);
- B) addresses (sales points listed in the advertising block).

It is necessary to underline that if the consumer can explicitly and correctly answer all the questions, the amount of information equals 1, otherwise we can say that the information remembered in items A) - B) is ambiguous. To create a comprehensive assessment of the amount of the remembered information, it is necessary to determine the coefficients of importance (importance weights) for each of the items A) - B). For this purpose the method of pairwise comparisons is used, the matrix of which is filled in by the expert.

First of all  $f_k$  is assessed - the amount of information, which was remembered by the respondent by the point  $k$ ,  $k = 1, 2, 3$  i.e. for each item A), B), and C) (empirically).

$f_k \in [0,1]$ , that is, if the individuum:

- remembers everything (by a particular item), then  $f_k = 1$ ;
- does not remember everything fully (with errors), it changes in the interval (0.1);
- does not remember, then  $f_k = 0$

Thus, we get an integral estimate of the amount of information remembered:

$$V = \sum_{i=1}^3 \alpha_i f_i \tag{3.9}$$

where,  $f_k \in [0,1]$  and  $\alpha_i$  - the importance weight of the criterion A), B), C) accordingly at  $i = 1, 2, 3$ .

Here is an example of calculating the coefficient  $b1$ . We calculate the importance weights of each item A), B), C), based on the method of pairwise

comparisons, i.e. we determine the weight coefficients  $\alpha_1, \alpha_2, \alpha_3$  where  $\alpha_1$  - the weight of criterion A),  $\alpha_2$  i  $\alpha_3$  - weights of criteria B) and C) accordingly. Besides, the following properties are just:

$$\begin{aligned} \alpha_1 + \alpha_2 + \alpha_3 &= 1 \\ \alpha_1, \alpha_2, \alpha_3 &> 0 \end{aligned} \quad (3.10)$$

By comparing the values A), B), and C), we will consider criterion A) to be the most significant, and B) to be the second most significant. Then we obtain the following ranking:

$$\alpha_1 > \alpha_2 > \alpha_3$$

We compose a ranking matrix.

$$\begin{array}{cccc} & \alpha_1 & \alpha_2 & \alpha_3 & \Sigma \\ \alpha_1 & (1 & 2 & 2) & 5 \\ \alpha_2 & (0 & 1 & 2) & 3 \\ \alpha_3 & (0 & 0 & 1) & 1 \end{array} \quad (3.11)$$

The sum of all elements in the matrix is 9, then we obtain:

$$\alpha_1 = \frac{5}{9}, \alpha_2 = \frac{3}{9}, \alpha_3 = \frac{1}{9}$$

In the process of conducting a polling survey of the chicken fillet consumers, in order to identify  $f_k$ , the respondents were asked to look at the advertisement in a newspaper during one week (i.e.  $t \in [t_0, t_1]$  where we believe that  $t_0 = 0, t_1 = 1$ ), after that the amount of the residual information  $t_k$  was recorded for each criterion A), B), C), averaged for the group. We believe that at the initial moment of time  $t_0$  respondents have completely remembered the advertised product, i.e.  $Y(t_0) = 1$ .

Based on the found values  $\alpha_i$  and on the statistical information obtained from the customer polling, let us determine the integral values:

$$\begin{aligned} V(t_1) &= \frac{5}{9} \cdot 0,9 + \frac{3}{9} \cdot 1 + \frac{1}{9} \cdot 0,8 \approx 0,91 - \text{at the moment of time } t_1 \\ V(t_2) &= \frac{5}{9} \cdot 0,9 + \frac{3}{9} \cdot 0,7 + \frac{1}{9} \cdot 0,7 \approx 0,8 - \text{at the moment of time } t_2 \\ V(t_3) &= \frac{5}{9} \cdot 0,8 + \frac{3}{9} \cdot 0,6 + \frac{1}{9} \cdot 0,6 \approx 0,72 - \text{at the moment of time } t_3 \\ V(t_4) &= \frac{5}{9} \cdot 0,75 + \frac{3}{9} \cdot 0,5 + \frac{1}{9} \cdot 0,3 \approx 0,64 - \text{at the moment of time } t_4 \end{aligned} \quad (3.12)$$

The obtained results are presented in Table 3.15.

**Table 3.15. The amount of information remembered at the moment of time  $t_k$**

| Moment of time                       | $t_k$    | $t_0$ | $t_1$ | $t_2$ | $t_3$ | $t_4$ |
|--------------------------------------|----------|-------|-------|-------|-------|-------|
| The amount of information remembered | $Y(t_k)$ | 1     | 0,91  | 0,8   | 0,72  | 0,64  |

Source: own research

Since the surveyed points are determined, let us calculate the coefficient  $b_1$

The dynamic function on the given interval is written as follows:  $Y(t) = e^{-b_1 t}$

Let us discover from this:  $b_1 : \ln(Y(t)) = -b_1 t; b_1 = -\frac{1}{t} \ln(Y(t))$ .

Using the surveyed points  $t_k$  and  $Y(t_k)$  from the table, we will construct:

$$\begin{cases} b_1 = \frac{1}{t_1} \ln(Y(t_1)) \\ b_1 = \frac{1}{t_2} \ln(Y(t_2)) \\ b_1 = \frac{1}{t_3} \ln(Y(t_3)) \\ b_1 = \frac{1}{t_4} \ln(Y(t_4)) \end{cases} \quad (3.13)$$

To obtain the normal equation we multiply each equation of the system (3.13) by the coefficient at the unknown  $b_1$ , i.e. 1, and summarize the obtained equations:

$$4b_1 = - \sum_{i=1}^4 \frac{1}{t_i} \ln(Y(t_i));$$

$$b_1 = -\frac{1}{4} \left( -4 \cdot 0,094 - 2 \cdot 0,223 - \frac{4}{3} \cdot 0,315 - 0,431 \right); b_1 \approx 0,42 \quad (3.14)$$

Thus, we have obtained the dynamic function of forgetting information with multiple repetitions of the advertisement during the time  $T$ .

This model was tested by the author on LLC “Agro-Oven”. Initial data: the advertising budget was 54500 thousand UAH, the duration of advertising was 7 months. According to the consumers’ choice of products of “Zolotko” brand, we have the following characteristics presented in Table 3.16.

**Table 3.16. Description of the media channels where advertisements are placed**

| Media channel    | Audience | Cost of the advertisement | Coefficient of attractiveness |
|------------------|----------|---------------------------|-------------------------------|
| Agrosfera        | 88000    | 12100                     | 0.74                          |
| agrobirzha.info  | 90000    | 10000                     | 0.77                          |
| Kupuy Ukrayinske | 98000    | 10600                     | 0.70                          |
| Metro            | 100000   | 15500                     | 0.78                          |
| Agrogroup.com    | 82000    | 9900                      | 0.76                          |
| ua.all.biz       | 101000   | 15100                     | 0.79                          |

Source: own research

The obtained results are shown in Table 3.17.

**Table 3.17. The results of the economical and mathematical model for determining the optimal duration of the advertising campaign**

| Media channel    | Duration of advertising campaign, weeks | Maximum amount of information provided, bits | Optimal distribution of advertisements | Cost, thousand UAH |
|------------------|---|--|--|--------------------|
| Agrosfera        | 7                                       | 561931                                       | 1;1;1;1;0;0;0                          | 48400              |
| agrobirzha.info  | 7                                       | 585026                                       | 1;1;1;1;1;0;0                          | 50000              |
| Kupuy Ukrayinske | 7                                       | 6244740                                      | 1;1;1;1;1;0;0                          | 53000              |
| Metro            | 7                                       | 619535                                       | 1;1;1;0;0;0;0                          | 46500              |
| Agrogroup.com    | 7                                       | 531660                                       | 1;1;1;1;1;0;0                          | 49500              |
| ua.all.biz       | 7                                       | 628772                                       | 1;1;1;0;0;0;0                          | 45300              |

Source: own research

The analysis shows that under initial conditions the most favorable media channel for advertising is the web resource “Kupuy Ukrayinske” (Buy Ukrainian). The optimal distribution of advertisements means that advertising works efficiently in 1-5 publication weeks (1) and does not work in the rest (0), and the amount of residual information is the highest as compared to other channels - 6,244,740 bits. It should be noted that the cost of message placement on this resource is the highest, but not beyond the budget.

Based on the presented model, it is possible to make recommendations for the brand advertising campaign as a tool to increase the competitiveness (Appendix D).

Thus, the developed model can be used to determine the effectiveness of investments in a particular media channel, the advertising campaign duration, advertising costs distribution over the entire period of its circulation. Therefore, advertising is the most important component of the company's branding activities, so it is necessary to administer effectively the advertising costs. Having saved today on the item "product promotion" or marketing research, you can lose in the future a strategic market share and surrender your market positions to competitors. Besides, marketing costs (including advertising costs) must be effectively managed. With the help of proper organization of this process, which includes the management of the marketing department structure, it is possible to increase the company's profit and its share in the market, and thus to increase its competitiveness.

## CONCLUSIONS

The monograph provides a theoretical generalization and scientific substantiation of theoretical and methodological principles of strategic directions for increasing the competitiveness of agro-industrial enterprises, including the poultry meat processing enterprises. The obtained research results have allowed substantiating the conclusions and propositions in accordance with the objective.

1. It was found that the competitiveness is at the same time a condition, a result and an ability of the enterprise to improve product consumer benefits through the detection, use and development of own key competencies (strategy, ability to learn, innovativeness, budgeting, customer-focus). The competencies are characterized by a certain hierarchy, in which the key competency is the collective knowledge, which participates in creation of the greatest marketable value and is a critical factor for the enterprise's success. When forming the strategy for achieving competitiveness it is necessary to take into account its connection to the key competencies, the life cycle stage of the economic activity type (birth, growth, maturity, decline); its structure (divided or concentrated); the influence of competitive components (suppliers, competitors, substitute products, consumers, government); the scale of competitors' activity (regional, national or international). Enterprises need not only to predict the impact of competitive components, but also adequately respond to their constant transformations.

2. Internal marketing as the basis for the development of the company's key competencies is uninterrupted, purpose-oriented sequence of managerial actions for the development of the customer-focus of the company by organizing the mutually beneficial cooperation of all of its departments. To effectively meet the needs of external customers and increase the level of competitiveness it is necessary to develop both own key competencies and effectively meet the needs of internal customers - the company's staff. The relationship between competitiveness and key competencies of the company allows to determine the quality and efficiency of use of



available resources, as well as the form and content of business processes as a result of which a product is created, which satisfies the majority of consumer needs.

3. The regional poultry meat market is an inseparable part of the agro-food market and in its essence is a system of relations associated with the production and turnover of raw materials for the manufacture of poultry products. The results of the assessment of the competitive position of poultry meat processing enterprises on the basis of the effective competition theory permit evaluating the efficiency of their work by the indicators of product competitiveness, production efficiency, financial and marketing activities, as well as identify the producers with a high level of competitiveness: LLC Poultry Plant “Dniprovsky” (15.37), LLC “Agro-Oven” (14.85), PJSC “Oril-Leader” (14.29), LLC “Kryla Tavriyi” (11.19), PE “Agro-Soyuz” (10.38). The profitability level of the surveyed enterprises varies between 66 and 78%, while the profitability level of production is from 51 to 65%. The lowest costs per unit of production are observed in two enterprises - LLC Poultry Plant “Dniprovsky” and LLC “Agro-Oven”, indicating the use of intensive production technologies and an efficient resource management. All enterprises are financially dependent on investors and are able to fulfill their current financial obligations.

4. Among the properties of the products of poultry meat processing companies, organoleptic, functional and chemical properties are the most important for the consumer. The importance of the price property for the majority of consumers is insignificant, because the products belong to the goods of low price elasticity. The results of assessing the matrix of interrelations between product properties and consumer requests, resources, business processes and competencies by the three groups of paired relations (product properties - resources; resources - business processes; business processes – competencies) indicate that the key competencies of LLC “Dniprovsky” are “budgeting”, “innovativeness”, “ability to learn”; for LLC “Agro-Oven” it is “ability to learn”, “budgeting”, “innovativeness”, and for PJSC “Oril-Leader” – “customer-focus”, “innovativeness” and “ability to learn”. Practical use of the received results allows to reveal the dependence of product properties on the competencies available at the enterprise as well as to eliminate the revealed

incoherence between the existing characteristics of the enterprises' product properties and the desired ones according to the effective demand.

5. Integration of key competencies into the company's business space is determined by the level of risk associated with the influence of external environment factors. The element most integrated in the business space is the resources of LLC Poultry Plant "Dniprovsky". The high level of integration have key competencies of the surveyed enterprises, especially in terms of innovation and strategic focus. The low level of integration into the business space of enterprises' business processes is determined by external economic conditions. The implementation of the methodological approach to assess the degree of dependence of agribusiness enterprises' competitiveness on the influence of external environment factors (resources, business processes, competencies) by identifying the average value of their points, calculated according to the received hierarchies, allows to identify the most effective areas for the use of available resources, when elaborating a development strategy.

6. Formation of an effective system to improve the company's competitiveness requires identifying the current key competencies of the company and determining strategic directions for their development by means of in-house marketing. Applying a systematic approach to the development of the company's key competencies by means of in-house marketing involves a step-by-step implementation of methodological tools for identifying the company's key competencies and their development areas, determination of the potential of internal marketing, assessment of the enterprise's competitive capacity and the choice of means of in-house marketing based on determination of the enterprise's internal strategic position. It was found that the strategic directions in the development of the internal marketing potential of "Oril-Leader" is correlation of rights and duties of the company's staff, establishing inter-functional connections and increasing awareness of employees about the results of the major competitors' activities.

7. Implementation of the brand identity system will allow to get a quantitative assessment of each element in the surveyed poultry meat processing enterprises and

to compare them with those of the competitors, to reveal ineffective areas of branding activities, to specify possible ways of improving the company's branding activities, to give recommendations to each company on determining strategic directions of its development and raising the level of competitiveness. Practical use of the results of economical and mathematical modeling of the competitive capacity with the use of the brand identity system indicates the necessity of constant monitoring and evaluation of its elements (brand-strategy, brand-individuality, brand management, brand perception) to be able to give a quick response to the competitors' actions as well as to varying consumer demands; active use of new ways to increase the brands competitiveness, studying their status and teaching these methods to all employees of the company.

8. The basis for the successful operation of enterprises, which are the owners of brands, is the formation of groups of loyal customers who are ready to buy the product in the long-term perspective. This can be achieved only under the conditions of a competent communication policy. The current level of market saturation does not allow achieving a high level of sales without informational support of own products, because even the best product with good characteristics cannot have a sufficient level of competitiveness without prior preparation of consumers. The developed in the present research economical and mathematical model of formation the company's media plan takes into account the consumers' psychological property to percept the advertised information, depending on the channels of its placement and the frequency of its appearance. It was found that the most popular media channel for placement advertisements of the brand "Zolotko" of LLC "Agro-Oven" is the web-resource "Kupuy Ukrayinske". As a result of the media plan implementation, the priority type of communicative message was identified, a creative advertisement for the existing brand was designed, the size of the advertising budget was set and the value of the concluded contracts was increased by 18%.

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## **APPENDICES**



## Appendix A

### QUESTIONNAIRE for a consumer of poultry meat products

1. Which of the following characteristics are the most important for you when buying processed poultry meat products? (10 points - the most important indicator)

| <b>Properties of Product A<br/>(semi-finished products from poultry meat)</b> | <b>Significance assessment<br/>(points)</b> |
|---|---|
| Price   |   |
| Brand (manufacturing company)   |   |
| Producing country   |   |
| Shelf life  |   |
| Healthiness (calorific value; ratio of proteins, fats, carbohydrates)         |   |
| Taste, color, appearance, smell   |   |
| Absence of additives, color agents, preservatives                             |   |
| Packaging   |   |
| Cooking time  |   |
| Service level   |   |

| <b>Properties of the product B<br/>(sausage products from poultry meat)</b> | <b>Significance assessment<br/>(points)</b> |
|---|---|
| Price   |   |
| Brand (manufacturing company)   |   |
| Producing country   |   |
| Shelf life  |   |
| Healthiness (calorific value; ratio of proteins, fats, carbohydrates)       |   |
| Taste, color, appearance, smell   |   |
| Absence of additives, color agents, preservatives                           |   |
| Packaging   |   |
| Cooking time  |   |
| Service level   |   |

#### General information about the respondent:

2. Your gender:

- Male
- Female

3. Your age:

- 18-21
- 22-30
- 31-40
- 41-50
- 51-60
- Over 61

4. Average monthly income per member of your family (including pensions, scholarships, subsidies)

- Up to 1500 UAH
- 1501-3000
- 3001-5000
- 5001 and more

5. Where do you live?

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**Thank you for participating in our research!**

## Appendix B

### QUESTIONNAIRE for the manufacturer of poultry meat products

1. Which of the following qualities of products do you consider to be the most attractive for consumers? (where 1 is the most favorable indicator)

| Product properties  | Attractiveness assessment (points) |
|---|------------------------------------|
| Price   |                                    |
| Brand (manufacturing company)   |                                    |
| Producing country   |                                    |
| Shelf life  |                                    |
| Healthiness (calorific value; ratio of proteins, fats, carbohydrates) |                                    |
| Taste, color, appearance, smell                                       |                                    |
| Absence of additives, color agents, preservatives                     |                                    |
| Packaging   |                                    |
| Cooking time  |                                    |
| Service level   |                                    |

2. Which of your company's resources are the most important for the qualitative properties of your products (mark **the two most important** resources for each indicator)

| Product properties  | Company resources      |           |                              |             |
|---|------------------------|-----------|------------------------------|-------------|
|   | Material and technical | Financial | Organizational and personnel | Information |
| Price   |                        |           |                              |             |
| Brand (manufacturing company)   |                        |           |                              |             |
| Producing country   |                        |           |                              |             |
| Shelf life  |                        |           |                              |             |
| Healthiness (calorific value; ratio of proteins, fats, carbohydrates) |                        |           |                              |             |
| Taste, color, appearance, smell                                       |                        |           |                              |             |
| Absence of additives, color agents, preservatives                     |                        |           |                              |             |
| Packaging   |                        |           |                              |             |
| Cooking time  |                        |           |                              |             |
| Service level   |                        |           |                              |             |

3. Which resources are the most necessary for the implementation of the company's business processes (rate from 1 to 4, where 1 is the most important resource)

| Business process    | Company resources      |           |                              |             |
|---------------------|------------------------|-----------|------------------------------|-------------|
|                     | Material and technical | Financial | Organizational and personnel | Information |
| Product development |                        |           |                              |             |
| Supply              |                        |           |                              |             |
| Production          |                        |           |                              |             |
| Processing          |                        |           |                              |             |
| Selling             |                        |           |                              |             |

4. Which knowledge, skills and experience of your company's management personnel influence the most the implementation efficiency of each business process (rate from 1 to 5, where 1 is the most significant indicator)

| Business process    | Knowledge, skills, and experience     |   |   |                                    |                                 |
|---------------------|---------------------------------------|---|---|------------------------------------|---------------------------------|
|                     | In the sphere of strategy development | In the sphere of information processing | In the sphere of innovations implementation | In the sphere of budget management | In the sphere of customer focus |
| Product development |                                       |   |   |                                    |                                 |
| Supply              |                                       |   |   |                                    |                                 |
| Production          |                                       |   |   |                                    |                                 |
| Processing          |                                       |   |   |                                    |                                 |
| Selling             |                                       |   |   |                                    |                                 |

5. How much will the importance of each of these resources change in the future activities of your company?

| Resources                    | Assessment of the degree of change in the resource value |               |                 |               |                             |
|------------------------------|--|---------------|-----------------|---------------|-----------------------------|
|                              | Will decrease significantly                              | Will decrease | Will not change | Will increase | Will increase significantly |
| Material and technical       |  |               |                 |               |                             |
| Financial                    |  |               |                 |               |                             |
| Organizational and personnel |  |               |                 |               |                             |
| Information                  |  |               |                 |               |                             |

6. How much will the importance of each of these business processes change in the future?

| Business process    | Assessment of the degree of change in the value of the business process |               |                 |               |                             |
|---------------------|---|---------------|-----------------|---------------|-----------------------------|
|                     | Will decrease significantly   | Will decrease | Will not change | Will increase | Will increase significantly |
| Product development |   |               |                 |               |                             |
| Supply              |   |               |                 |               |                             |
| Production          |   |               |                 |               |                             |
| Processing          |   |               |                 |               |                             |
| Sales               |   |               |                 |               |                             |

7. How much will the importance of each of these competencies change in the future activities of your company?

| Competencies     | Assessment of the degree of change in the competency value |               |                 |               |                             |
|------------------|--|---------------|-----------------|---------------|-----------------------------|
|                  | Will decrease significantly                                | Will decrease | Will not change | Will increase | Will increase significantly |
| Strategy         |  |               |                 |               |                             |
| Ability to study |  |               |                 |               |                             |
| Innovativeness   |  |               |                 |               |                             |
| Budgeting        |  |               |                 |               |                             |
| Customer-focus   |  |               |                 |               |                             |

8. Please state the name of Your company

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## Appendix C

|                       |                       | Resources             |                       |                       |                            |   |  |     |     |     |     |     |     |     |        |        |                   |            |             |                         |                      |           |              |         |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------------|---|--|-----|-----|-----|-----|-----|-----|-----|--------|--------|-------------------|------------|-------------|-------------------------|----------------------|-----------|--------------|---------|
| 1<br>4<br>2<br>3      | 3<br>2<br>1<br>4      | 4<br>1<br>3<br>2      | 4<br>1<br>2<br>3      | 4<br>1<br>3<br>1      | Y1<br>Y2<br>Y3<br>Y4       | Material and technical<br>Financial<br>Organizational and<br>personnel<br>Information | Y<br>1<br>Y<br>2<br>Y<br>3<br>Y<br>4           | 4   | 2   | 3   | 4   | 3   | 4   | 3   | 4      | 3      | 4                 | 3          | 3           |                         |                      |           |              |         |
|                       |                       |                       |                       |                       |                            |   |  | 2   | 3   | 4   | 1   | 1   | 1   | 3   | 2      | 2      | 2                 | 3          | 2           | 2                       |                      |           |              |         |
|                       |                       |                       |                       |                       |                            |   |  | 1   | 1   | 1   | 2   | 2   | 2   | 2   | 1      | 1      | 1                 | 4          | 1           | 4                       | 4                    |           |              |         |
|                       |                       |                       |                       |                       |                            |   |  | 3   | 4   | 2   | 3   | 4   | 3   | 4   | 1      | 4      | 1                 |            |             |                         |                      |           |              |         |
| Z1                    | Z2                    | Z3                    | Z4                    | Z5                    |                            |   |  |     |     |     |     |     |     |     | X<br>1 | X<br>2 | X<br>3            | X<br>4     | X<br>5      | X<br>6                  | X<br>7               | X<br>8    | X<br>9       | X1<br>0 |
| product development   | Supply                | Production            | Processing            | Selling               |                            |   |  |     |     |     |     |     |     |     | price  | Brand  | Producing country | Shelf life | Healthiness | organoleptic properties | absence of additives | packaging | cooking time | service |
| Z1                    | Z2                    | Z3                    | Z4                    | Z5                    |                            |   |  |     |     |     |     |     |     |     | X<br>1 | X<br>2 | X<br>3            | X<br>4     | X<br>5      | X<br>6                  | X<br>7               | X<br>8    | X<br>9       | X1<br>0 |
| 3<br>2<br>5<br>4<br>1 | 3<br>2<br>1<br>5<br>4 | 1<br>3<br>2<br>5<br>4 | 1<br>3<br>4<br>5<br>2 | 2<br>4<br>1<br>3<br>5 | C1<br>C2<br>C3<br>C4<br>C5 | Strategy<br>Ability to study<br>Innovativeness<br>Budgeting<br>Customer-focus         | C<br>1<br>C<br>2<br>C<br>3<br>C<br>4<br>C<br>5 | 2,7 | 2,8 | 2,8 | 2,7 | 2,7 | 2,7 | 2,7 | 2,7    | 2,7    | 2,7               | 2,7        | 2,7         |                         |                      |           |              |         |
|                       |                       |                       |                       |                       |                            |   |  | 3,2 | 3,1 | 3,0 | 3,0 | 3,0 | 3,0 | 3,0 | 3,2    | 3,2    | 3,2               |            |             |                         |                      |           |              |         |
|                       |                       |                       |                       |                       |                            |   |  | 2,9 | 3,0 | 3,0 | 3,1 | 3,2 | 3,2 | 3,1 | 3,1    | 3,1    | 2,9               |            |             |                         |                      |           |              |         |
|                       |                       |                       |                       |                       |                            |   |  | 3,4 | 3,4 | 3,4 | 3,4 | 3,4 | 3,4 | 3,4 | 3,4    | 3,4    | 3,4               |            |             |                         |                      |           |              |         |
|                       |                       |                       |                       |                       |                            |   |  | 2,6 | 2,6 | 2,6 | 2,7 | 2,7 | 2,7 | 2,7 | 2,6    | 2,6    | 2,6               |            |             |                         |                      |           |              |         |
|                       |                       | Competencies          |                       |                       |                            |   |  |     |     |     |     |     |     |     |        |        |                   |            |             |                         |                      |           |              |         |

**Figure C.1. Matrix of the key competencies of "Agro-Oven", LLC**

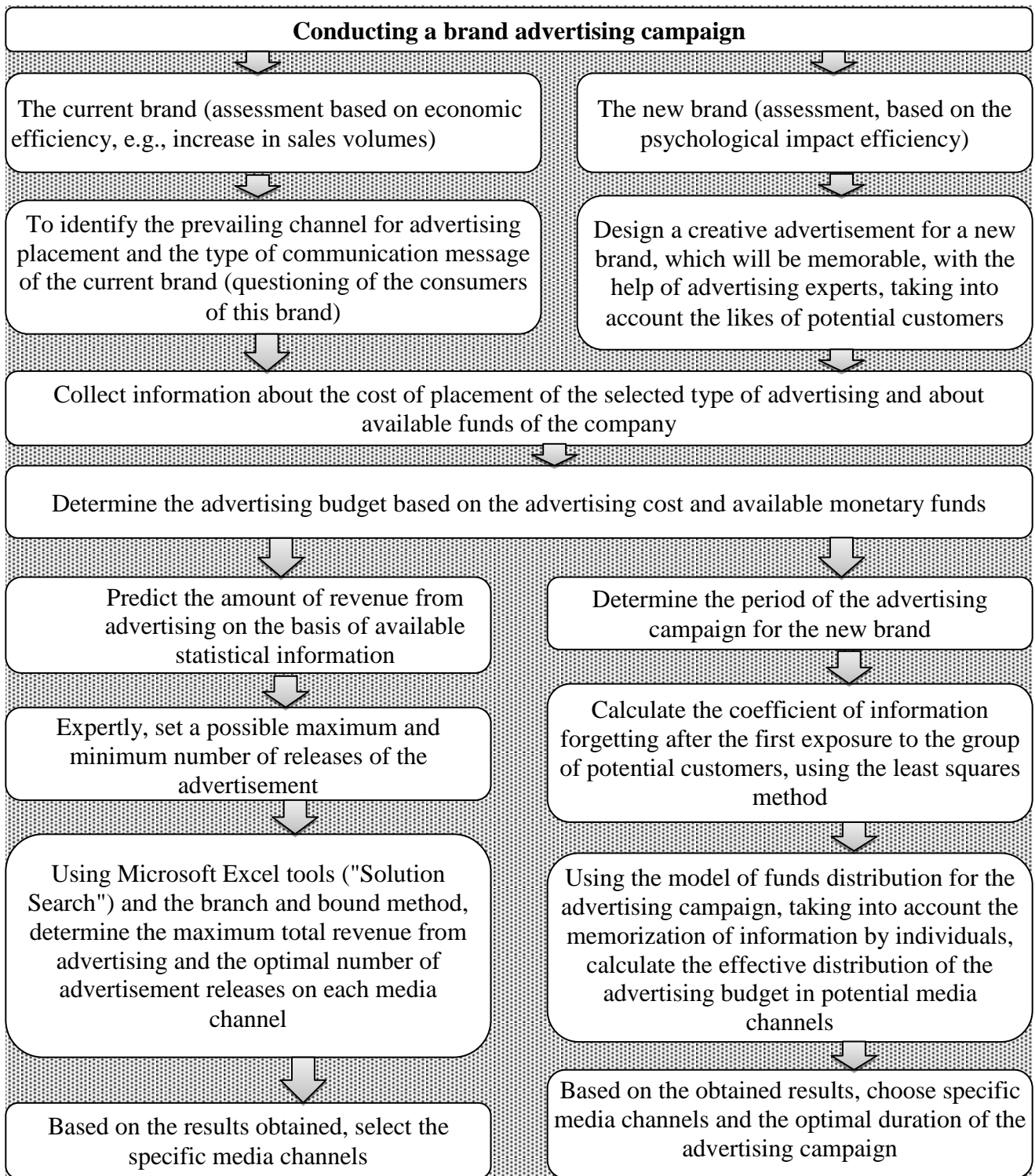
Source: own research

|                    |                       | Resources             |                       |                       |                       |                            |   |  |                                 |                                 |                                 |                                 |                                 |                                 |                                 |                                 |                                 |                                 |            |             |                         |                      |           |              |         |
|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------------|---|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|------------|-------------|-------------------------|----------------------|-----------|--------------|---------|
|                    | 1<br>4<br>2<br>3      | 1<br>4<br>3<br>2      | 4<br>2<br>1<br>3      | 4<br>2<br>1<br>3      | 2<br>3<br>4<br>1      | Y1<br>Y2<br>Y3<br>Y4       | Material and technical<br>Financial<br>Organizational and<br>personnel<br>Information | Y<br>1<br>Y<br>2<br>Y<br>3<br>Y<br>4           | 4<br>2<br>1<br>3                | 1<br>3<br>2<br>4                | 1<br>4<br>2<br>3                | 4<br>2<br>1<br>3                | 3<br>2<br>1<br>4                | 4<br>2<br>1<br>3                | 4<br>2<br>1<br>3                | 4<br>3<br>2<br>1                | 3<br>2<br>1<br>4                | 3<br>1<br>4<br>2                |            |             |                         |                      |           |              |         |
| Business processes | Z1                    | Z2                    | Z3                    | Z4                    | Z5                    |                            |   |  |                                 |                                 |                                 |                                 |                                 |                                 |                                 | X<br>1                          | X<br>2                          | X<br>3                          | X<br>4     | X<br>5      | X<br>6                  | X<br>7               | X<br>8    | X<br>9       | X1<br>0 |
|                    | product development   | Supply                | Production            | Processing            | Selling               |                            |   |  |                                 |                                 |                                 |                                 |                                 |                                 |                                 | price                           | Brand                           | Producing country               | Shelf life | Healthiness | organoleptic properties | absence of additives | packaging | cooking time | service |
|                    | Z1                    | Z2                    | Z3                    | Z4                    | Z5                    | X<br>1                     | X<br>2  | X<br>3   | X<br>4                          | X<br>5                          | X<br>6                          | X<br>7                          | X<br>8                          | X<br>9                          | X1<br>0                         |                                 |                                 |                                 |            |             |                         |                      |           |              |         |
|                    | 2<br>1<br>4<br>5<br>3 | 2<br>3<br>1<br>5<br>4 | 1<br>4<br>2<br>5<br>3 | 1<br>4<br>2<br>5<br>3 | 1<br>5<br>2<br>3<br>4 | C1<br>C2<br>C3<br>C4<br>C5 | Strategy<br>Ability to study<br>Innovativeness<br>Budgeting<br>Customer-focus         | C<br>1<br>C<br>2<br>C<br>3<br>C<br>4<br>C<br>5 | 3,1<br>3,7<br>3,2<br>3,4<br>2,9 | 3,1<br>3,7<br>3,3<br>3,4<br>2,8 | 3,1<br>3,7<br>3,3<br>3,4<br>2,8 | 3,1<br>3,7<br>3,2<br>3,5<br>2,9 | 3,1<br>3,7<br>3,2<br>3,5<br>2,8 | 3,1<br>3,7<br>3,2<br>3,5<br>2,8 | 3,1<br>3,7<br>3,2<br>3,5<br>2,8 | 3,1<br>3,7<br>3,3<br>3,6<br>2,8 | 3,1<br>3,7<br>3,3<br>3,6<br>2,8 | 3,1<br>3,7<br>3,2<br>3,5<br>2,8 |            |             |                         |                      |           |              |         |
|                    |                       | Competencies          |                       |                       |                       |                            |   |  |                                 |                                 |                                 |                                 |                                 |                                 |                                 |                                 |                                 |                                 |            |             |                         |                      |           |              |         |

**Figure C.2. Matrix of the key competencies of PJSC "Oril-Leader**

Source: own research

## Appendix D



**Figure D.1. Recommendations as for conducting a brand advertising campaign**

Source: own research

# **A STRATEGY TO INCREASE THE COMPETITIVENESS OF AGRO- INDUSTRIAL ENTERPRISES**

Monograph

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