

**UNIVERSITY OF ECONOMICS IN BRATISLAVA
INSTITUTE OF INTERNATIONAL PROGRAMS**

Evidence number: 180040/I/2014/2722705274

**INTERNATIONALIZATION OF CEE COMPANIES -
THE CASE OF UKRAINE NEMIROFF VODKA
COMPANY**

Diploma thesis

Bratislava 2014

Bc. Tetiana Shchelynska

**UNIVERSITY OF ECONOMICS IN BRATISLAVA
INSTITUTE OF INTERNATIONAL PROGRAMS**

**INTERNATIONALIZATION OF CEE COMPANIES -
THE CASE OF UKRAINE NEMIROFF VODKA
COMPANY**

Diploma thesis

Study program: International Management

Specialization: 6225 8 07 Management

Department: Institute of International Programs

Tutor: Prof. Ing. Soňa Ferenčíková, PhD.

Bratislava 2014

Bc. Tetiana Shchelynska

ZADANIE ZÁVEREČNEJ PRÁCE

Declaration

I hereby declare that this diploma thesis was composed by me and that I listed all sources of references.

Data:

.....
Tetiana Shchelynska

Acknowledgement

I would like to declare sincere gratefulness to my supervisor, Ing. Soňa Ferenčíková. This thesis would not have been possible without the guidance and the help of her. I would like to express my gratitude and appreciation for experience, acquiring during her classes and consultation about writing this paper. Also I would like say, thank you, to my family members who supported me during the process of the diploma thesis elaboration, and whole study period, which lead to this scientific paper preparation.

ABSTRACT

SHCHELYNSKA, Tetiana: *Internationalization of CEE companies - the case of Ukraine Nemiroff vodka company*. – University of Economics in Bratislava. Institute of International programs.– Tutor: Ing. Soňa Ferenčíková. Bratislava: IIP EU, 2014, 71 p.

The purpose of the diploma thesis was to define the process of internationalization, and analyze how it takes a place in contemporary business life, for the Ukrainian chosen company “Nemiroff”, characterize the pros and cons, and endorse outcomes with academic background. The thesis is divided into five main chapters. It includes 7 pictures, 4 tables.

In the First chapter, the general theories of internationalization process are covered. The Second chapter explains the goals, purpose and techniques, as well as the general research area. The Third chapter describes in details the selection of strategies, how company gets involved in international markets. The Fourth chapter portrays Ukrainian company “Nemiroff”, history, production line, company managerial grid, corporate culture and position among competitors. The Fifth chapter points out directly internationalization process of Ukrainian enterprise “Nemiroff” depicts the traps and accomplishments of enterprise; clarify the chosen way of growth, besides depict potential projections about penetration into not presented markets.

Keywords:

Internationalization, Strategy, Entry mode, Alcohol industry, CEE market, Industry specific elements

ABSTRACT

SHCHELYNSKA, Tetiana: *Internationalization of CEE companies - the case of Ukraine Nemiroff vodka company*. Vysoká škola ekonomická v Bratislave. Inštitút medzinárodných programov - Školiteľ: Ing. Soňa Ferenčíková. Bratislava: IIP EÚ, 2014, 71 s.

Cieľom diplomovej práce bolo definovať proces internacionalizácie a analyzovať, akým spôsobom zaujíma miesto v súčasných aktivitách ukrajinskej firmy Nemiroff. Bolo potrebné tiež charakterizovať klady a zápory internacionalizácie a výsledky potvrdiť na akademickej úrovni. Práca je rozdelená do piatich hlavných kapitol, ktoré obsahujú 7 obrázkov a 4 tabuliek.

V prvej kapitole sme priniesli všeobecné teoretické poznatky o procesoch internacionalizácie. Druhá kapitola vysvetľuje ciele, zámer a techniky spolu s definovaním oblasti výskumu. Tretia kapitola detailne opisuje výber stratégie, pomocou ktorej sa spoločnosť zapája do medzinárodných trhov. Vo štvrtej kapitole prinášame históriu firmy Nemiroff, jej výrobných liniek, manažérskej siete, firemnej kultúry a konkurenčných pozícií. Piata kapitola priamo poukazuje na to, ako proces internacionalizácie odhaľuje nedostatky a úspechy firmy Nemiroff; pomáha objasniť zvolené postupy rastu, a okrem iného poskytuje potenciálne projekcie pri prenikaní na nové trhy.

Kľúčové slová:

Internacionalizácia, Stratégia, Vstupný režim, Alkoholový priemysel, Trh Strednej a Východnej Európy, Špecifické prvky priemyslu

CONTENTS

INTRODUCTION.....	9
1. CLASSICAL AND CONTEMPORARY THEORIES OF INTERNATIONALIZATION PROCESS ...	11
1.1 Absolute Advantage theory	11
1.2 Comparative advantage theory	12
1.3 Factors Proportions Theory	13
1.4 International Product Life Cycle Theory.....	14
1.5 New Trade Theory	15
1.6 Linder Theory.....	16
1.7 Oligopolistic Reaction Theory	16
1.8 Reaction Theory	16
1.9 Hymer and Kindleberger's Theory	17
1.10 Innovation-related internationalization taxonomies	18
1.11 Resource-based theories	20
1.12 Theory of International New Ventures.....	21
1.13 Uppsala model.....	22
2 GOALS, OBJECTIVES AND METHODOLOGY	23
3 ADOPTION OF INTERNATIONAL STRATEGY	25
3.1 Exporting.....	28
3.2 Piggybacking.....	34
3.3 Countertrade	35
3.3.1 Foreign production	38
3.4 Licensing	38
3.5 Joint ventures	40
3.6 Ownership	42
3.7 Summary of enter strategy	42
4 EXAMINATION OF UKRAINIAN COMPANY "NEMIROFF"	43
4.1 Nemiroff Products	46
4.2 Production facilities.....	47
4.3 Quality standards.....	48

4.4	Nemiroff Ownership	49
5	“NEMIROFF” INTERNATIONAL PATH	51
5.1	Nemiroff Duty Free TFWA strategic approach	51
5.2	Nemiroff localization approach.....	53
5.3	Nemiroff Co-location strategy	55
5.4	Dynamics of development of Nemiroff.....	57
5.5	Nemiroff international comparism	59
5.5.1	Factors of Nemiroff company success on the global market.....	60
CONCLUSIONS		62
RESUMÉ.....		63
REFERENCES.....		68

LIST OF ILUSTRATIONS AND TABLES

Picture 1 Methods of foreign market entry.....	31
Picture 2 Aggressive Export Path.....	32
Picture 3 Passive Export Path.....	33
Picture 4 The export marketing channel.....	34
Picture 5 Classification of countertrade.....	38
Picture 6 Nemiroff Coctails.....	55
Picture 7 The Drinks International Millionaires Club.....	59
Table 1. The Innovation-Related Internationalization Models.....	19
Table 2. Elements included in the export marketing mix.....	28
Table 3. SWOT analysis.....	58
Table 4. The list of countries where Nemiroff products are exported.....	60

INTRODUCTION

Internationalization of economic life and the process of development of the world economy, as well as deepening of the international division of labor, geographical and economic integration entail the increased internationalization of economic life. Decisive role in this process is played by transnational corporations. TNC are active participants and contributors to its development. They establish a system of international production, based on the placement of branches, subsidiaries, and affiliates in many countries around the world. They penetrate into the high-tech, knowledge-based industries that require huge investment and highly skilled personnel. More recently TNCs were mainly transnational and spread its influence in certain regions of the world. But recently began to appear such TNCs, which can be called global. They operate in most or even all countries of the world with a market economy.

Central place of internationalization takes internationalization of production, which leads to establish direct, more or less stable industrial relations between enterprises in different countries, so that the production process in one country becomes part of a process in an international or global scale. In modern conditions acceleration by internationalization of production occurs primarily under the influence of scientific and technological revolution. Modern automated or highly mechanized production requires large expenditures on research and huge initial investment to create new industries and new products. In the context of new and emerging industries is greatly increased range of industrial products. Within national economies, even large countries cannot be effectively organizing the manufacturing of the entire range of modern industrial production. Under these conditions, activated processes of international specialization and cooperation of the industrialized countries, enhancing the internationalization of production. There are different forms of international specialization, but most close ties between producers from different countries arise from the technology shift and evolving.

The principal objective of the diploma paper is to determine how internationalization process goes on in countries with restructured economy, from command economy to market economy, based on example of Ukraine chosen company “Nemiroff”, describe the challenges and experiences, and proof results with classical and contemporary theories of internationalization. The thesis is divided into five main parts.

In the First part, classical and contemporary theories of internationalization are described. Those theories explain the reasons and economic advantages for the companies and community in general, of stepping in abroad.

The Second part depicts goals, objectives and methodology used to develop diploma thesis, as well as industry specifics.

The Third part, is engaged with selection of strategies, how Nemiroff can increase share in international markets, by following internationalization path.

The Fourth part characterizes Ukrainian company “Nemiroff”, history, production portfolio, culture and relations with business partners and competitors, company structure.

The Fifth part declare about internationalization process of Ukrainian company “Nemiroff”, presents traps and snares versus the achievements of company; justify the chosen path of elaboration, in addition offer possible continuity and next stages of penetrations into new markets.

Final part – outcomes and conclusions of diploma paper, finalization of the research results and its assessment, ensure recommendations for stake holders, interested in some way or engaged in “Nemiroff” current or future internationalization process.

1. CLASSICAL AND CONTEMPORARY THEORIES OF INTERNATIONALIZATION PROCESS

In economical science, internationalization has been described as a process of increasing involvement of enterprises in international markets, although there are plenty definition of internationalization or international entrepreneurship. There are different internationalization theories which try to explain why there are international activities. Those entrepreneurs who are interested in the field of internationalization of business need to possess the ability to think globally and have an understanding of international cultures. By appreciating and understanding different beliefs, values, behaviors and business strategies of a variety of companies within other countries, entrepreneurs will be able to internationalize successfully. Entrepreneurs must also have doubts according the innovation, maintaining a high level of quality, be committed to corporate social responsibility, and continue intend to provide the best business strategies and either goods or services possible while adapting to different countries and cultures.

1.1 Absolute Advantage theory

A country benefits by producing only those products in which it has absolute advantage or that it can produce using fewer resources than another country. Adam Smith was suggesting what nations benefit most from free trade. Smith argued that mercantilism deprives individuals of the ability to trade freely and to benefit from voluntary exchange. By trying to minimize imports, a country wastes much of its national resources in the production of goods it is not suited to produce efficiently. The inefficiencies of mercantilism end up reducing the wealth of the nation as a whole while enriching a limited number of individuals and interest group. Relative to others, each country is more efficient in the production of some products and less efficient in the production of other products. Smith's absolute advantage principle states that a country benefits by producing primarily those products in which it has an absolute advantage, meaning goods it can produce using fewer resources than another country. Each country thus increases its welfare by specializing in the production of certain products, exporting them, and importing others. This approach allows the nation to consume more than it otherwise could, generally at lower cost. Historically, the concept of

absolute advantage provided perhaps the earliest sound rationale for international trade. However, it failed to consider more subtle advantages that trading nations enjoy.¹

1.2 Comparative advantage theory

Describes superior features of a country that provide unique benefits in global competition, typically derived from either natural endowments or deliberate national policies. Also known as country-specific advantage, comparative advantage includes inherited resources, such as labor, climate, arable land, and petroleum reserves, such as those enjoyed by the Gulf nations. Other types of comparative advantages are acquired over time, such as entrepreneurial orientation, availability of venture capital, and innovative capacity. It can be beneficial for two countries to trade without barriers as long as one is relatively more efficient at producing goods or services needed by the other. What matters is not the absolute cost of production but rather the relative efficiency with which a country can produce the product. The demonstration, that what matters is not the absolute cost of production, but rather the relative efficiency with which the two countries can produce the products. Hence, the comparative advantage principle states that it can be beneficial for two countries to trade without barriers as long as one is relatively more efficient at producing goods or services needed by the other. The principle of comparative advantage is the foundation and overriding justification for international trade today.

The general conclusions of the theory of comparative advantage are the same as those for the theory of absolute advantage. In addition, the theory of comparative advantage demonstrates that countries jointly benefit from trade (under the assumptions of the model) even if one country has an absolute advantage in the production of both goods. Total world efficiency and consumption increase under free trade. As with the theory of absolute advantage (as formulated by Adam Smith), Ricardo's theory of comparative advantage does not answer the question of the distribution of gains between the two countries, nor the distribution of gains and losses between grain producers and cloth producers within each country. No country will lose under free trade; that is, no country's

¹ RIESENBERGER, J.R. 2014. *International Business: The New Realities: Third Edition*. Prentice Hall. ISBN-10 0-13-299126-8, ISBN-13 978-0-13-299126-1

overall welfare is decreased, or else it would not trade, but in theory at least, all the gains could accrue to one country and to only one group within that country.²

1.3 Factors Proportions Theory

A significant contribution to explaining international trade came in the 1920s, when were, proposed the factor proportions theory, sometimes called the factor endowments theory. This view rests on two premises: products differ in the types and quantities of factors (labor, natural resources, and capital) required for their production; and countries differ in the type and quantity of production factors they possess. Each country should export products that intensively use relatively abundant factors of production and import goods that intensively use relatively scarce factors of production. Factors proportions theory differs somewhat from earlier theories by emphasizing the importance of each nation's factors of production.

The theory states that, in addition to differences in the efficiency of production, differences in the quantity of factors of production held by countries also determine international trade patterns. This leads to a per-unit-cost advantage due to the abundance of a given factor of production, say labor, over another, say land, which is not in as much supply. Originally, labor was the most important factor of production. This explains why, for example, countries like China and India have become popular manufacturing bases; they have huge bases of workers. In the 1950s, were pointed to empirical findings that seemed to contradict the factor proportions theory. The theory suggests, if country has abundant capital, it should be an exporter of capital-intensive products. However, analysis, termed the Leontief paradox, revealed that the capital abundant countries, often exported labor-intensive goods and imported more capital-intensive goods than the theory would ordinarily predict. What accounts for the inconsistency, explanation is that numerous factors determine the composition of a country's exports and imports. Perhaps the main contribution is suggestion that international trade is complex and cannot be fully explained by a single theory. Subsequent

² SHEFFRIN, S. M. 2003. *Economics: Principles in Action. The Wall Street Journal: Classroom Edition*. Pearson Prentice Hall. 444 p. ISBN 0-13-063085-3

refinements of factor proportions theory suggested that other country-level assets-knowledge, technology, and capital-are instrumental in explaining each nation's international trade prowess.³

1.4 International Product Life Cycle Theory

International product life cycle theory explains international trade based on the evolutionary process that occurs in the development and diffusion of products to markets around the world. In this *International Product Life Cycle Theory*, it is observed that each product and its manufacturing technologies go through three stages of evolution: introduction, maturity, and standardization. In the introduction stage, a new product typically originates in an advanced economy. Such countries possess abundant capital and R&D capabilities, providing key advantages in the invention of new goods. Advanced economies also have abundant, high-income consumers who are willing to try new products, which are often expensive. During the introduction stage, the new product is produced in the inventing country, which enjoys a temporary monopoly. As the product enters the maturity phase, the product's inventors mass-produce it and seek to export it to other advanced economies. Gradually, however, the product's manufacturing becomes more routine and foreign firms begin producing alternative versions, ending the inventor's monopoly power. At this stage, as competition intensifies and export orders begin to come from lower-income countries, the inventor may earn only a narrow profit margin.

In the standardization phase, knowledge about how to produce the product is widespread and manufacturing has become straightforward. Early in the product's evolution, production required specialized workers skilled in R&D and manufacturing. Once standardized, however, mass production is the dominant activity and can be accomplished using cheaper inputs and low-cost labor. Production shifts to low-income countries where competitors enjoy low-cost advantages and can economically serve export markets worldwide. The country that invented the product eventually becomes a net importer. It and other advanced economies become saturated with imports of the good from developing economies. In effect, exporting the product has caused its underlying technology to become widely known and standardized around the world.

³ BLAUG, M. 1992. *The methodology of economics, or, how economists explain*. Cambridge University Press. 286 p. ISBN 0-521-43678-8.

The IPLC illustrates that national advantages do not last forever. Firms worldwide are continuously creating new products, and others are constantly imitating them. The product cycle is continually beginning and ending. It is assumed that the product diffusion process occurs slowly enough to generate temporary differences between countries in their access and use of new technologies. This assumption is no longer valid today-the IPLC has become much shorter as new products diffuse much quickly around the world. Buyers in emerging markets are particularly eager to adopt new technologies as soon as they become available. This trend explains the rapid spread of new consumer electronics such as digital assistants and mobile phones around the world.⁴

1.5 New Trade Theory

In the 1970s, it was observed that trade was growing fastest among industrialized countries with similar factors of production. In some new industries, there appeared to be no clear comparative advantage. The solution to this paradox became known as new trade theory. It proclaims that increasing returns to scale, especially economies of scale, are important for superior international performance in industries that succeed best as their production volume increases. As a nation specializes in the production of goods with high fixed costs, productivity increases and unit cost fall, providing significant benefits to the local economy. Many national markets are small, and the domestic producer may not achieve economies of scale because it cannot sell products in large volume. New trade theory implies that firms can solve this problem by exporting, thereby gaining access to the much larger global marketplace. Several industries achieve minimally profitable economies of scale by selling their output in multiple markets worldwide. The effect of increasing returns to scale allows the nation to specialize in a small number of industries in which it may not necessarily hold factors or comparative advantages. According to new trade theory, trade is thus beneficial even for countries that produce only a limited variety of products.⁵

⁴ HILL, C. 2007. *International Business Competing in the Global Marketplace*. McGraw-Hill. 168 p. ISBN 978-0-07-310255-9.

⁵ MACEWAN, A. 1999. *Neo-liberalism or democracy: economic strategy, markets, and alternatives for the 21st century*. Zed Books. ISBN 1-85649-725-9.

1.6 Linder Theory

The Linder theory, also known as demand-structure hypothesis is an assumption in international economy about international trade patterns. The hypothesis says that the more similar are the demand structures of countries, the more they will trade with one another. Further, international trade will still occur between two countries having identical preferences and factor endowments, relying on specialization to create a comparative advantage in the production of differentiated goods between the two nations.⁶

1.7 Oligopolistic Reaction Theory

According to the Oligopolistic Reaction Theory of Knickerbocker, one firm invests in one country in order to increase its market share. Immediately thereafter the other rival oligopolistic firms invest in that country in order not to lose their market shares. This kind of investment is also known as “Follow-the-leader”. Besides as firms avoid ambiguities and risks, they wait for an investment of a leader firm before themselves and its consequences and then they invest. This constitutes the reasoning of follow-the-leader theory.

An oligopolistic reaction is a concept from economics introduced by Frederick T. Knickerbocker to explain why firms follow rivals into foreign markets. Under conditions of growth in an economy, international firms match the investments of competitors into that economy. Also called follow-the-leader behavior. Used to understand the global flows of foreign direct investments and thereby the structure of the world economy.⁷

1.8 Reaction Theory

Reaction theory models business changes in competitive oligopolistic markets using a comprehensive qualitative and quantitative model. It offers an analytical methodology that can be used to understand the financial and business impact of a substantive change or a series of changes

⁶ UGGLA, C. 2006. *Staffan Burenstam Linder*. Ekerlids förlag. ISBN 91-7092-045-1

⁷ KNICKERBOCKER, F. T. 1973. *Oligopolistic Reaction and Multinational Enterprise*. Harvard University Press. ISBN-13: 978-0875841021

that occur in an industry or in a value chain. It involves a broader integration of current existing models including the Porter Five Forces Model, Real Options Models, Game Theory and the Oligopolistic models. It views the role of various businesses as reactors to a change or perturbation in an existing Ecosystem that is in Dynamic Equilibrium. Further it creates additional new measures, and quantitative tools to further enhance the understanding of these markets which a Corporate Finance Analyst or an Equity or Business Analysts who seeks to identify the end result following a period of change can use. The theories developed are applied in high-tech industries to study New Market Entry, Mergers and Acquisitions and Contingency Planning Events.⁸

1.9 Hymer and Kindleberger's Theory

The most important contribution of Hymer's input in international economy -is the theory of FDI that explains why MNCs transfer intermediate goods such as knowledge and technology among countries. Hymer separates two types of the division of labor. He states that the division of labor among firms is controlled by markets and therefore is the subject of international trade theory and the intra-firm division of labor is controlled by the entrepreneurs. Hymer and Kindleberger rather focus on firm-specific factors. Foreign firms have superiority such as the ability to find cheap capital, marketing experience, privileged entry permits for some markets, patented or non-tradable technology, managerial efficiencies and economies of scale. Hymer and Kindleberger cannot explain precisely why a firm having these advantages tends to make FDI instead of export or leasing. Therefore the theory remains only as a guideline to other theories. On the other hand all the studies following Hymer's are constructed upon Hymer's ideas.

In economics, a market failure is a situation where in the allocation of production or use of goods and services by the free market is not efficient. Market failures can be viewed as scenarios where individuals' pursuit of pure self-interest leads to results that can be improved upon from the societal point-of-view. The first known use of the term by economists was in 1958, but the concept has been traced back to the Victorian philosopher Henry Sidgwick. Market imperfection can be defined as anything that interferes with trade. This includes two dimensions of imperfections. First,

⁸ WILLIAM, W A. 2008. *Do Oligopolists Earn: Noncompetitive Rates of Return*. American Economic Review.

imperfections cause a rational market participant to deviate from holding the market portfolio. Second, imperfections cause a rational market participant to deviate from his preferred risk level.⁹

Market imperfections generate costs which interfere with trades that rational individuals make (or would make in the absence of the imperfection). The idea that multinational corporations (MNEs) owe their existence to market imperfections was first put forward by Stephen Hymer, Charles P. Kindleberger and Caves. The market imperfections they had in mind were, however, structural imperfections in markets for final products. According to Hymer, market imperfections are structural, arising from structural deviations from perfect competition in the final product market due to exclusive and permanent control of proprietary technology, privileged access to inputs, scale economies, control of distribution systems, and product differentiation, but in their absence markets are perfectly efficient. By contrast, the insight of transaction costs theories of the MNEs, simultaneously and independently developed in the 1970s by McManus, Buckley and Casson, Brown and Hennart, is that market imperfections are inherent attributes of markets, and MNEs are institutions to bypass these imperfections. Markets experience natural imperfections, i.e. imperfections that are because the implicit neoclassical assumptions of perfect knowledge and perfect enforcement are not realized.¹⁰

1.10 Innovation-related internationalization taxonomies

The way in which firms progress along the internationalization continuum and suggest that a sequence of discrete stages exists which proxy the “stop and go”. Stepwise process exemplifying the evolution of international involvement. Implicit between each set of stages is the notion that fairly stable periods exist in which firms consolidate and generate an appropriate resource base to respond to fortuitous environmental conditions which allow them to proceed to the next internationalization stage. The models focus on the learning sequence in connection with adopting an innovation. The taxonomies share many of the same characteristics. However, the main differences include the number of stages in each model.¹¹

⁹ PITELIS, C. 2000. *The nature of the transnational firm*. Routledge. 224 p. ISBN 0-415-16787-6.

¹⁰ BATOR, F. M. 1958. *The Anatomy of Market Failure*. The Quarterly Journal of Economics. p. 351–379.

¹¹ AUERBACH, P. 1996. *Firms, competitiveness and the global economy*.

Table 1 The Innovation-Related Internationalization Models

<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Stage 4</i>	<i>Stage 5</i>	<i>Stage 6</i>
<i>Bilkey and Tesar (1977)</i>					
Management is not interested in exporting	Management is willing to fill unsolicited orders, but makes no effort to explore the feasibility of active exporting	Management actively explores the feasibility of active exporting	The firm exports on an experimental basis to some psychologically close country	The firm is an experienced exporter	Management explores the feasibility of exporting to other more psychologically distant countries.
<i>Cavusgil (1980)</i>					
Domestic marketing	Pro-export engagement	Experimental export involvement	Active export involvement	Committed export involvement	
<i>Reid (1981)</i>					
Export awareness	Export intention	Export trial	Export evaluation	Export acceptance	
<i>Wortzel and Wortzel (1981)</i>					
Importer pull	Basic production capacity marketing	Advanced production capacity marketing	Product marketing – channel push	Product marketing – consumer pull	
<i>Czinkota (1982)</i>					
The completely uninterested firm	The partially interested firm	The exporting firm	The experimental firm	The experience small exporter	The experienced large exporter
<i>Lim et al. (1991)</i>					
Export awareness	Export interest	Export intention	Export adoption		
<i>Rao and Naidu (1992)</i>					
Non-exporters	Export intenders	Sporadic exporters	Regular exporters		

Source: AUERBACH, P. 1996. Firms, competitiveness and the global economy.

Innovation is the process of generating something new that has a significant value to an individual, a group, an organization, and industry, or a society. The result of the innovation process is an innovation – a creation that has significant value. Innovation is the use of new knowledge to

offer a new product or service. It is invention plus commercialization. The process of innovation cannot be separated from firm's strategic and competitive context.

1.11 Resource-based theories

The resource-based view as a basis for the competitive advantage of a firm lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal. To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile. Effectively, this translates into valuable resources that are neither perfectly imitable nor substitutable without great effort. If these conditions hold, the bundle of resources can sustain the firm's above average returns. The VRIO and VRIN model also constitutes a part of RBV.

The key points of the theory are:

1. Identify the firm's potential key resources.
2. Evaluate whether these resources fulfill the following criteria:

Valuable – A resource must enable a firm to employ a value-creating strategy, by either outperforming its competitors or reduce its own weaknesses. Relevant in this perspective is that the transaction costs associated with the investment in the resource cannot be higher than the discounted future rents that flow out of the value-creating strategy.

Rare – To be of value, a resource must be rare by definition. In a perfectly competitive strategic factor market for a resource, the price of the resource will be a reflection of the expected discounted future above-average returns.

In-imitable – If a valuable resource is controlled by only one firm it could be a source of a competitive advantage. This advantage could be sustainable if competitors are not able to duplicate this strategic asset perfectly. The term isolating mechanism was introduced to explain why firms might not be able to imitate a resource to the degree that they are able to compete with the firm having the valuable resource. An important underlying factor of inimitability is causal ambiguity, which occurs if the source from which a firm's competitive advantage stems is unknown. If the resource in question is knowledge-based or socially complex, causal ambiguity is more likely to occur as these types of resources are more likely to be idiosyncratic to the firm in which it resides.

Non-substitutable – Even if a resource is rare, potentially value-creating and imperfectly imitable, an equally important aspect is lack of substitutability. If competitors are able to counter the firm's value-creating strategy with a substitute, prices are driven down to the point that the price equals the discounted future rents, resulting in zero economic profits. Care for and protect resources that possess these evaluations, because doing so can improve organizational performance.

3. Care for and protect resources that possess these evaluations, because doing so can improve organizational performance. The VRIN characteristics mentioned are individually necessary, but not sufficient conditions for a sustained competitive advantage. Within the framework of the resource-based view, the chain is as strong as its weakest link and therefore requires the resource to display each of the four characteristics to be a possible source of a sustainable competitive advantage.¹²

1.12 Theory of International New Ventures

The formation of organizations that are international from inception—international new ventures - is an increasingly important phenomenon that is incongruent with traditionally expected characteristics of multinational enterprises. A framework is presented that explains the phenomenon by integrating international business, entrepreneurship, and strategic management theory. That framework describes four necessary and sufficient elements for the existence of international new ventures: (1) organizational formation through internalization of some transactions, (2) strong reliance on alternative governance structures to access resources, (3) establishment of foreign location advantages, and (4) control over unique resources.

International new ventures (INVs) is business organisations that from inception seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries.¹³

¹² KING, A.W. 2007. *Disentangling interfirm and intrafirm causal ambiguity: "A conceptual model of causal ambiguity and sustainable competitive advantage"*. Academy of Management Review. 156-178 p.

¹³ EVERS, N. 2010. *"Factors influencing the internationalization of new ventures in the industry: An exploratory study"*. Journal of International Entrepreneurship. Vol. 8 No. 4. 392-416 p.

1.13 Uppsala model

The Uppsala model is a theory that explains how firms gradually intensify their activities in foreign markets. It is similar to the POM model. The Princeton ocean model (POM) is a community general numerical model for ocean circulation that can be used to simulate and predict oceanic currents, temperatures, salinities and other water properties. This model gave a new theoretical base for international business, by using same principles. Actually, once guessed and proved equation gave the path for new stage of internationalization process.

The key features of both models are the following: firms first gain experience from the domestic market before they move to foreign markets; firms start their foreign operations from culturally and/or geographically close countries and move gradually to culturally and geographically more distant countries; firms start their foreign operations by using traditional exports and gradually move to using more intensive and demanding operation modes, sales subsidiaries etc. Both at the company and target country level. The Uppsala model also proposes that foreign sales begin with occasional export orders that are followed by regular exports; and the POM model states that the first sales object is physical product – services, knowledge, and systems are possibly, but not necessarily later added to the sales objective. Additionally, the POM model assumes that the first expansion in the sales object/product, operation and market strategy concerns expansion to new foreign markets. Finally, the firm will not commit higher levels of resources to the market until it has acquired increasing levels of experiential knowledge and therefore the internationalization evolves stepwise at a relatively slow pace because of local market regulations and/or organisational learning. Uppsala model specifies that level of commitment may also decrease or cease if performance and prospect are not sufficiently met. Commitment is defined in terms of the product of the size of the investment times its degree of inflexibility. While a large investment in saleable equipment does not necessarily indicate a strong commitment, unwavering dedication to meeting the needs of customers does.¹⁴

¹⁴ ELGAR, E. 2003. *Learning in the Internationalisation Process of Firms*.

2 GOALS, OBJECTIVES AND METHODOLOGY

The alcohol industry is the commercial industry involved in the manufacturing, distribution, and sale of alcoholic beverages. The industry can be described as contradictory due to many adversaries and supporters, stating or opposing opinion of alcohol role in society, sometimes deflecting attention away from the problems associated with alcohol use. The alcohol industry has also been criticized for being unhelpful in reducing the harm of alcohol. The World Bank works with and invests in alcohol industry projects when positive effects with regard to public health concerns and social policy are demonstrated. Alcohol industry sponsors education to reduce the harm of alcohol. As a result it has been recommended that the alcohol industry become responsibly involved in alcohol policy or educational programs. Unlike the pharmaceutical industry, the alcohol industry has been never accused of using similar tactics, to exaggerate the health benefits of alcohol which is regarded as a potentially dangerous recreational drug with potentially serious adverse effects on health.

Economic Contributions of the Distilled Spirits Industry. The Industry's Role of the beverage alcohol industry is a major contributor to the economy, responsible for over total economic activity, generating wages and jobs for workers. A Heavy Tax Burden Distilled spirits are one of the highest taxed consumer products in the world. Standardizing for alcohol content, the distilled spirits state excise tax burden per 1 liter, is more than double that of beer and almost triple that of wine.

Internationalization is one of the essential bases for companies to achieve more productive and proponent market targets. Its ensure possibilities for companies accurately response on fast changing markets and balance skills relatively appearing needs.

The alcohol industry is one of the key sectors of Ukraine economy with such strong, worldwide known brands as Horilka, Khortytsia, Soyuz-Viktan and Nemiroff. Logical continuation, of this is to make diploma work research dedicated to the alcohol industry. Second pro argument is direction of studies, where most of Master subjects were in field of International Business, current research focuses on Nemiroff international expansion, and particularly Nemiroff analysis of venturing abroad. To show how internationalization process, help build strong corporate social responsibility – CSR, in presented region.

The objective of diploma research is to study the theories of internationalization and to identify on a selected case which ones are applicable on; deep understanding about concrete case of internationalization. Thereby, this thesis is based on a research of Ukrainian company Nemiroff, which displays possible paths and opportunities how to reach competitive advantages through firms international steps outside home country.

The objectives will be accomplished by determination of the range of internationalization theories from the classical till modern times, generic and situation specific strategies in internationalization process as well as the observation of Ukrainian enterprise Nemiroff international achievements and experiences. Detailed analyzes of the current procedure and administration, consider a priority of pros and cons of process. Nemiroff was chosen to demonstrate, the one of possible ways, how local company can become international passing by different steps and stages.

This diploma thesis uses a diversity of technique that is showing the process from the different angles. For the precise and accurate result of research were just kept methods, which correspond to the topic, filtering out huge array of techniques exist in theory. In theoretical part and practical research part are used broad-spectrum scientific methods.

This thesis is aiming to answer or explain following statements and questions:

1. Reasoning explanation of study the Nemiroff case.
2. Answering for the research question.
3. How studied internationalization theories are interlinked with the case?

3 ADOPTION OF INTERNATIONAL STRATEGY

Achievement in business is a set of skills, opportunities and knowledge, deployed in right situation, by using the suitable strategy, and factor of chance. Achieving a competitive advantage position relative to its business rival is what most organizations in particular should be aiming for. Contrary the importance of attaining competitive advantage in organizations there has been based on relationship between organizational resources and the way firms are organized to achieve competitive advantage- strategy.

The market entry strategy is the guideline cultivated by a company to approach a new market or sub-market. All companies operating internationally deploy a strategy: open or hide, to run its activities. This is called the global operation strategy. There are different possible global operation strategies. Global operation strategy gives the framework for a market entry strategy, while the market entry strategy itself gives the overall plan to enter a new market, and the components that must be considered to reach this objective. The mode of entry is the central element of the market entry strategy. If a company wants to enter more than one foreign market it develops an internationalization strategy. The internationalization strategy defines the target foreign markets and the priorities in entering them. It can also be based on the conditions of geographical boundary for entering foreign markets.¹⁵

Economic globalization can be characterized with four main streams. These are:

- Flows of goods and services,
- Flows of labor/people,
- Capital flows and
- Technology flows.

Even the economic effects of globalization are extensive. The properties of the process in terms of economies are as follows:

- 1.Changing consumption habits and behaviors favoring the pace of consumption,
- 2.The changing scale from national to international in the production, distribution, consumption and marketing of resources,
- 3.Developments in information and communication technologies (ICT),
- 4.Utilizing the high-technology in the production of goods and services,

¹⁵ LITTLER, D. 1995. *Marketing Strategy*. Butterworth: Heinemann Limited

- 5.The death of two bloc (socialism-liberalism) world after the collapse of the USSR,
- 6.Global changes,
- 7.The formation of elastic, dynamic, flexible and rapid environments and markets,
- 8.Rapid development in technology; digitalization of trade and economy,
- 9.Increased competition,
10. The increase in the “unknown”,
11. Increased R&D activities, innovation, economic dynamism, technological innovations,
12. Important changes in human resources and
13. Trade liberalization.

The major effects of globalization are tried to be examined under the titles of death of distance, end of the nation state, hegemony of R&D, cultural erosion and “glocalization”.

Death of distance. In the history one of the most important barriers against trade was the distance. It may constitute a barrier against the transportation of goods safely, on time, securely and with acceptable prices. The trade of goods and services has become feasible with technological developments and trade agreements that decrease or eliminate tariffs. In this process the decreases in the prices of overseas transportation by 50%, airline transportation by 80%, transatlantic phone calls by 99% have the key role. Thanks to this process a module printed in Europe can be sent anywhere in the world in less than two days. Furthermore online broadcasting eliminates this two day-lag.¹⁶

On the other hand another medium that causes the death of distance is the diffusion of production into the whole world. Currently, through FDI, MNCs have diffused their productions to many countries. Hence European brands can be produced in Asia. This in turn means the breakup of production of that brand in Europe and exportation to Asia. Although debate on the effects of globalization on nation-state has been continuing since long time, foresights about the future of nation-state may differ. Some accepting the presence of economic globalization claims that nation-state will survive in current structural form. Articulation of “concurrency of differences” to globalization does not mean the negligence of modern roots of globalization because concepts such as nation-state, individual, universality are the components of the field of globalization and survive with interaction. Interpretation on the nation-state which is an important element of modern era is that there is no reason to claim that the organized society and particularly the state are about to disappear. On the contrary, as the development of modern nation-state depends on inter-state relations, the definition of state becomes more evident in the globalization process. In other words,

¹⁶ JOMO, K.S. 2007. *Flat World, Big Gaps: Economic Liberalization, Globalization and Inequality*.

globalization increases the local awareness and solidifies “auto-awareness” instead of eliminating nation-state. The structures such as European Union aim to solve the economic and political problems nation-states that discarding part of their hegemony face. In this framework both the disappearance of nation-states and the sustenance of their existence in an evolved form can be claimed.

The globalization process supplies two distinct culture presences simultaneously. The first of them is to reach to upper limit of “particular culture”. This upper limit is the globe. All heterogeneous cultures dissolve in the prevailing culture that covers the whole world. Second presence is related to the “tightening of cultures”. Different cultures flow side by side without any organizational principle. Field of culture that includes more and more cultural movement and complexity constitutes the second stage of the globalization of culture. Therefore there are important discrepancies on the effects of globalization on culture. Globalization brings integration; cultural globalization indicates common shape of local cultures, the term means the resemblance of life styles, cultural symbols and behaviors.

The term glocalization is produced with the combination of the terms global and local. The term means “the creation of goods and services that are customized to supply global markets but consistent with local values. The fact that the terms glocalization and globalization are related to each other is accepted by many scientists and defines globalization as “the simultaneity of the universality of resolution and the resolution of universality”, highlights the simultaneity of globalization and glocalization. The problem of simultaneous globalization of the local and localization of the global can be denoted as dual-process of macro-localization (globalization of a local value) and micro-globalization (localization of a global value).

Key features of glocalization are as follows:

- 1.Variety is in the basis of social life.
- 2.Glocalization does not eliminate all differences.
- 3.History and culture causes differences in all groups.
- 4.Glocalization ceases the fear that globalization will wipe all the differences out.
- 5.Glocalization does not promise a world without any conflict or tension; instead it makes a more historical view of the complex structure.

In this framework, glocalization that means the modification of globalization according to local conditions differentiate globalization. Now globalization evolves itself in order to include local

values. As globalization compasses a large scope and process, it has considerable effects while some effects can be seen in daily life; some has large-scale-deep effects.

3.1 Exporting

This resemblance certainly does not indicate that local cultures are dependent on global culture. Local cultures have the possibilities to interpret the global and redefine it in their authentic characteristics framework. Globalization will combine all societies under a single economic, politic and cultural unit -cultural integration.¹⁷

When an organisation has made a decision to enter an overseas market, there are a variety of options open to it. These options vary with cost, risk and the degree of control which can be exercised over them. The simplest form of entry strategy is exporting using either a direct or indirect method such as an agent, in the case of the former, or countertrade, in the case of the latter. More complex forms include truly global operations which may involve joint ventures, or export processing zones. Having decided on the form of export strategy, decisions have to be made on the specific channels. Many agricultural products of a raw or commodity nature use agents, distributors or involve Government, whereas processed materials, whilst not excluding these, rely more heavily on more sophisticated forms of access. These will be expanded on later.¹⁸

Table 2 Elements included in the export marketing mix

1. Product support <ul style="list-style-type: none"> - Product sourcing - Match existing products to markets - air, sea, rail, road, freight - New products - Product management - Product testing - Manufacturing specifications - Labelling - Packaging - Production control - Market information
2. Price support <ul style="list-style-type: none"> - Establishment of prices - Discounts - Distribution and maintenance of pricelists - Competitive information

¹⁷ MARKO A. 2012. *Theorizing Globalization: A Critique of the Mediatization of Social Theory*. 412 p.

¹⁸ CARTER S. 1997. *Global Agricultural Marketing Management*. 305 p.

3. Promotion/selling support <ul style="list-style-type: none"> - Advertising - Promotion - literature - Direct mail - Exhibitions, trade shows - Printing - Selling (direct) - Sales force - Agents commissions - Sale or returns
4. Inventory support <ul style="list-style-type: none"> - Inventory management - Warehousing - Distribution - Parts supply - Credit authorisation
5. Distribution support <ul style="list-style-type: none"> - Funds provision - Raising of capital - Order processing - Export preparation and documentation - Freight forwarding - Insurance - Arbitration
6. Service support <ul style="list-style-type: none"> - Market information/intelligence - Quotes processing - Technical aid assistance - After sales - Guarantees - Warranties/claims - Merchandising - Sales reports, catalogues literature - Customer care - Budgets - Data processing systems - Insurance - Tax services - Legal services - Translation
7. Financial support <ul style="list-style-type: none"> - Billing, collecting invoices - Hire, rentals - Planning, scheduling budget data - Auditing

Source: CARTER S. 1997. *Global Agricultural Marketing Management*. 305 p.

Identified five strategies used by firms for entry into new foreign markets:

- i) Technical innovation strategy - perceived and demonstrable superior products
- ii) Product adaptation strategy - modifications to existing products
- iii) Availability and security strategy - overcome transport risks by countering perceived risks
- iv) Low price strategy - penetration price and,
- v) Total adaptation and conformity strategy - foreign producer gives a straight copy.

Product flow from less developed countries to developed countries point three major problems. Buyers in the interested foreign country are usually very careful as they perceive transport, currency, quality and quantity problems. Because, in most commodities, production and marketing are interlinked, the infrastructure, information and other resources required for building market entry can be enormous. Sometimes this is way beyond the scope of private organizations, so government may get involved. It may get involved not just to support a specific commodity, but also to help the “public good”.

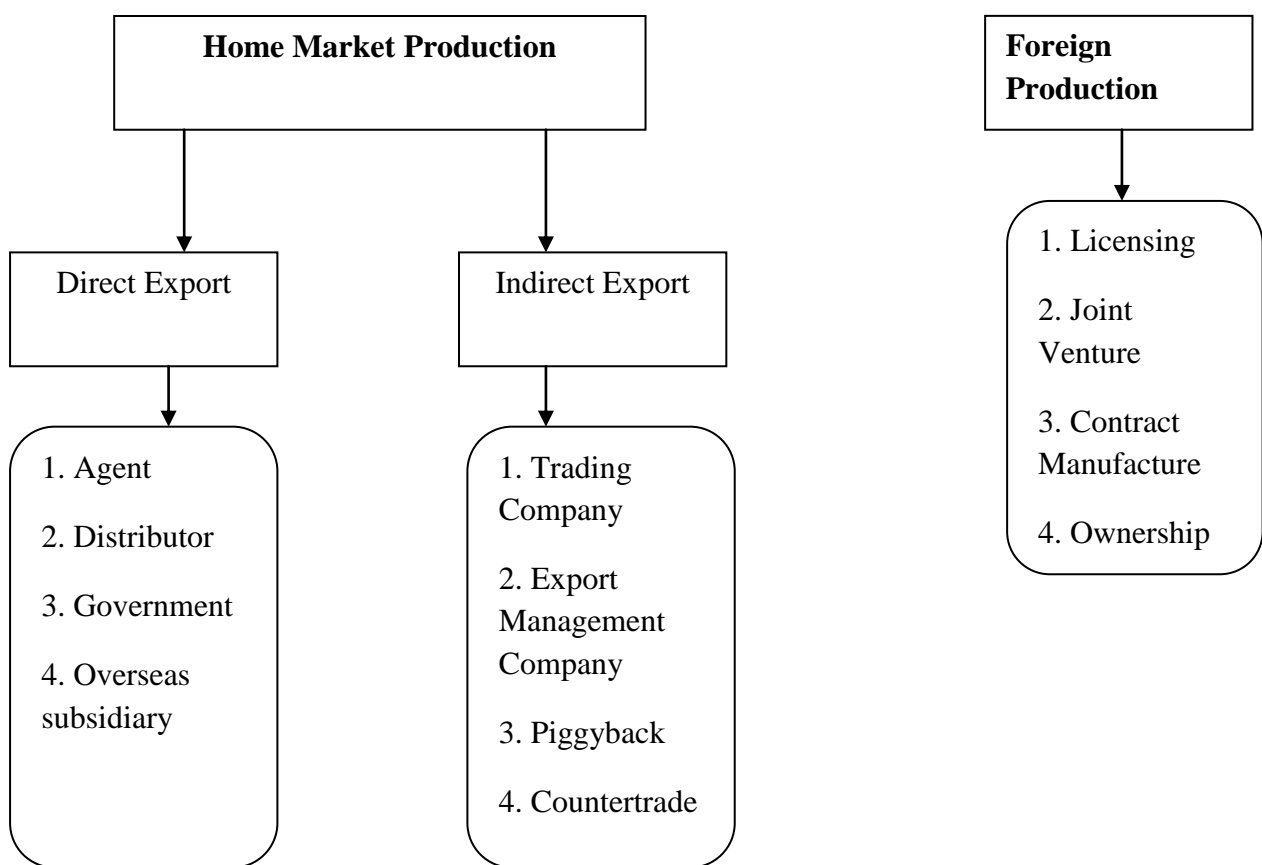
In building a market entry strategy, time is a crucial factor. The building of an intelligence system and creating an image through promotion takes time, effort and money. Brand names do not appear overnight. Large investments in promotion campaigns are needed. Transaction costs also are a critical factor in building up a market entry strategy and can become a high barrier to international trade. Costs include search and bargaining costs. Physical distance, language barriers, logistics costs and risk limit the direct monitoring of trade partners. Enforcement of contracts may be costly and weak legal integration between countries makes things difficult. Also, these factors are important when considering a market entry strategy. In fact these factors may be so costly and risky that governments, rather than private individuals, often get involved in commodity systems. With a monopoly export marketing board, the entire system can behave like a single firm, regulating the mix and quality of products going to different markets and negotiating with transporters and buyers. Whilst these boards can experience economies of scale and absorb many of the risks listed above, they can shield producers from information about, and from buyers.

There are a variety of ways in which organizations can enter foreign markets. The three main ways are by direct or indirect export or production in a foreign country. Exporting is the most traditional and well established form of operating in foreign markets. Exporting can be defined as the marketing of goods produced in one country into another. Whilst no direct manufacturing is

required in an overseas country, significant investments in marketing are required. The tendency may be not to obtain as much detailed marketing information as compared to manufacturing in marketing country; however, this does not negate the need for a detailed marketing strategy.

The advantages of exporting are:

- manufacturing is home based thus, it is less risky than overseas based
- gives an opportunity to “learn” overseas markets before investing in bricks and mortar
- reduces the potential risks of operating overseas.



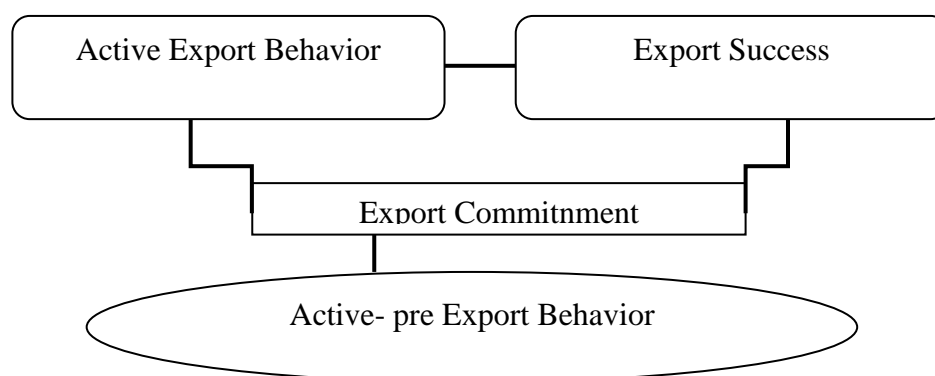
Picture 1 Methods of foreign market entry

Source: Keegan, W.J. 1989. *Global Marketing Management*. Prentice Hall International Editions.

The disadvantage is mainly that one can be at the “mercy” of overseas agents and so the lack of control has to be weighed against the advantages. A distinction has to be drawn between passive and aggressive exporting. A passive exporter awaits orders or comes across them by chance; an aggressive exporter develops marketing strategies which provide a broad and clear picture of what

the firm intends to do in the foreign market. As well as significant differences with regard to the severity of exporting problems in motivating pressures between seekers and non-seekers of export opportunities. They distinguished between firms whose marketing efforts were characterized by no activity, minor activity and aggressive activity. Those firms who are aggressive have clearly defined plans and strategy, including product, price, promotion, distribution and research elements. Passiveness versus aggressiveness depends on the motivation to export. In less developed countries which have embarked on structural adjustment programmes, organizations are being encouraged to export, motivated by foreign exchange earnings potential, saturated domestic markets, growth and expansion objectives, and the need to repay debts incurred by the borrowings to finance the programmes. The type of export response is dependent on how the pressures are perceived by the decision maker. To highlight the fact that the degree of involvement in foreign operations depends on “endogenous versus exogenous” motivating factors, that is, whether the motivations were as a result of active or aggressive behaviour based on the firm's internal situation - endogenous or as a result of reactive environmental changes - exogenous.

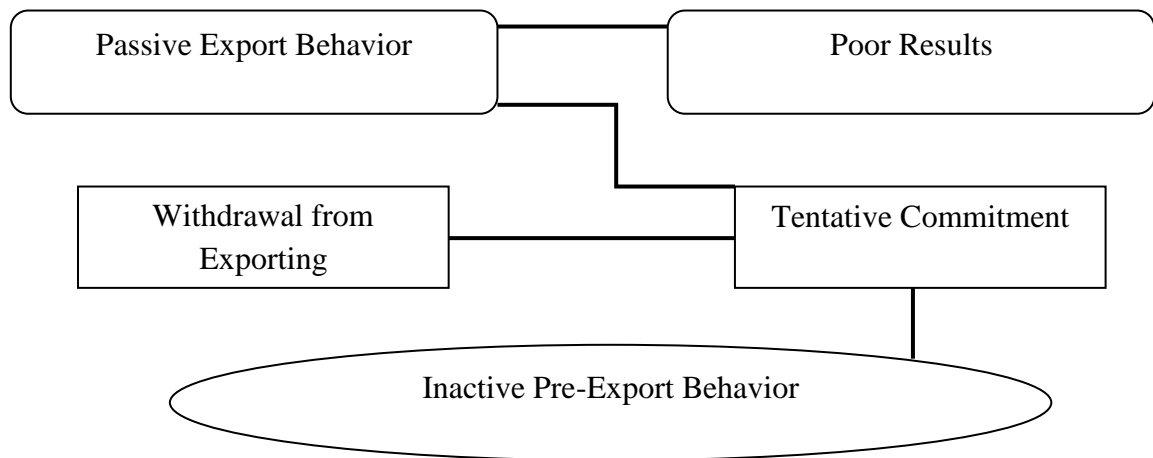
If the firm achieves initial success at exporting quickly all to the good, but the risks of failure in the early stages are high. The learning effect in exporting is usually very quick. (see Picture 2). The key is to learn how to minimize risks associated with the initial stages of market entry and commitment - this process of incremental involvement is called - creeping commitment. (see Picture 3).¹⁹



Picture 2 Aggressive Export Path

Source: PAVORD, B.1991. *Quoted in The Export Marketing Decision*. Network and Centre for Marketing.

¹⁹ PAVORD, B.1991. *Quoted in The Export Marketing Decision*. Network and Centre for Marketing.

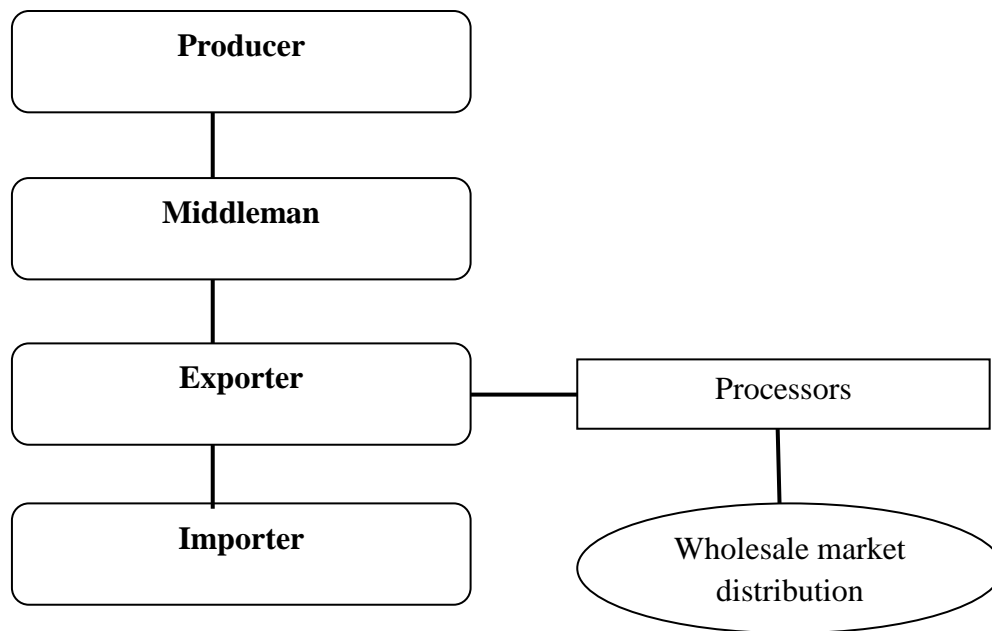


Picture 3 Passive Export Path

Source: PAVORD, B.1991. *Quoted in The Export Marketing Decision*. Network and Centre for Marketing.

Exporting methods include direct or indirect export. In direct exporting the organization may use an agent, distributor, or overseas subsidiary, or act via a government agency. In direct exporting the major problem is that of market information. The exporter's task is to choose a market, find a representative or agent, set up the physical distribution and documentation, promote and price the product. Control, or the lack of it, is a major problem which often results in decisions on pricing, certification and promotion being in the hands of others. Similarly, exporters are price takers as produce is sourced also from the other countries. Exporting requires a partnership between exporter, importer, government and transport. Without these four coordinating activities the risk of failure is increased. Contracts between buyer and seller are a must. Forwarders and agents can play a vital role in the logistics procedures such as booking air space and arranging documentation. A typical coordinated marketing channel for the export is given in Picture 4.²⁰

²⁰ COLLETT, W.E. 1991. *International Transport and Handling of Horticultural Produce*.



Picture 4 The export marketing channel

Source: COLLETT, W.E. 1991. *International Transport and Handling of Horticultural Produce*.

3.2 Piggybacking

Piggybacking is an interesting development. The method means that organizations with little exporting skill may use the services of one that has. Another form is the consolidation of orders by a number of companies in order to take advantage of bulk buying. Normally these would be geographically adjacent or able to be served, say, on an air route. Low cost market entry strategy in which two or more firms represent one another's complementary (but non-competing) products in their respective markets.

Piggyback marketing is an arrangement in which one firm distributes a second firm's product or service. The second company adds value by offering a more complete solution to the foreign market. The second company piggybacks its products on to the international market, without incurring the marketing and distribution costs associated with exporting. Piggyback marketing

works well when product lines are complementary and appeal to the same customers, accessory type products.²¹

3.3 Countertrade

By far the largest indirect method of exporting is countertrade. Competitive intensity means more and more investment in marketing. In this situation the organization may expand operations by operating in markets where competition is less intense but currency based exchange is not possible. Also, countries may wish to trade in spite of the degree of competition, but currency again is a problem. Countertrade can also be used to stimulate home industries or where raw materials are in short supply. It can, also, give a basis for reciprocal trade. Estimates vary, but countertrade accounts for about 20-30% of world trade, involving some 90 nations. The UN defines countertrade as “commercial transactions” in which provisions are made, in one of a series of related contracts, for payment by deliveries of goods and/or services in addition to, or in place of, financial settlement. Countertrade is the modern forms of barter, except contracts are not legal and it is not covered by WTO. It can be used to circumvent import quotas. Countertrade can take many forms. Basically two separate contracts are involved, one for the delivery of and payment for the goods supplied and the other for the purchase of and payment for the goods imported. The performance of one contract is not contingent on the other although the seller is in effect accepting products and services from the importing country in partial or total settlement for his exports. There is a broad agreement that countertrade can take various forms of exchange like barter, counter purchase, switch trading and compensation (buyback). Barter is the direct exchange of one good for another, although valuation of respective commodities is difficult, so a currency is used to underpin the item's value. Barter trade can take a number of formats. Simple barter is the least complex and oldest form of bilateral, non-monetarised trade. Often it is called “straight”, “classical” or “pure” barter. Barter is a direct exchange of goods and services between two parties. Shadow prices are approximated for products flowing in either direction. Generally no middlemen are involved. Usually contracts for no more

²¹ FIELD A. J. 2011. *A Great Leap Forward: 1930s Depression and U.S. Economic Growth*. New Haven, London: Yale University Press. 114 p. ISBN 978-0-300-15109-1

than one year are concluded, however, if for longer life spans, provisions are included to handle exchange ratio fluctuations when world prices change.²²

Closed end barter deals are modifications of straight barter in that a buyer is found for goods taken in barter before the contract is signed by the two trading parties. No money is involved and risks related to product quality are significantly reduced. Clearing account barter, also termed clearing agreements, clearing arrangements, bilateral clearing accounts or simply bilateral clearing, is where the principle is for the trades to balance without either party having to acquire hard currency. In this form of barter, each party agrees in a single contract to purchase a specified and usually equal value of goods and services. The duration of these transactions is commonly one year, although occasionally they may extend over a longer time period. The contract's value is expressed in non-convertible, clearing account units, also termed clearing dollars, which effectively represent a line of credit in the central bank of the country with no money involved. Clearing account units are universally accepted for the accounting of trade between countries and parties whose commercial relationships are based on bilateral agreements. The contract sets forth the goods to be exchanged, the rates of exchange, and the length of time for completing the transaction. Limited export or import surpluses may be accumulated by either party for short periods. Generally, after one year's time, imbalances are settled by one of the following approaches: credit against the following year, acceptance of unwanted goods, payment of a previously specified penalty or payment of the difference in hard currency. Trading specialists have also initiated the practice of buying clearing dollars at a discount for the purpose of using them to purchase saleable products. In turn, the trader may forfeit a portion of the discount to sell these products for hard currency on the international market. Compared with simple barter, clearing accounts offer greater flexibility in the length of time for drawdown on the lines of credit and the types of products exchanged.

Counter purchase, or buyback, is where the customer agrees to buy goods on condition that the seller buys some of the customer's own products in return -compensatory products. Alternatively, if exchange is being organized at national government level then the seller agrees to purchase compensatory goods from an unrelated organization up to a pre-specified value -offset deal. The difference between the two is that contractual obligations related to counter purchase can extend over a longer period of time and the contract requires each party to the deal to settle most or

²² KHOURY, S.J. 1984. "Countertrade: Forms, Motives, Pitfalls and Negotiation Requisites". *Journal of Business Research*, Vol. 12. 257-270 p.

all of their account with currency or trade credits to an agreed currency value. Where the seller has no need for the item bought he may sell the produce on, usually at a discounted price, to a third party. This is called a switch deal. Compensation - buy-backs is where the supplier agrees to take the output of the facility over a specified period of time or to a specified volume as payment. One problem is the marketability of products received in countertrade. This problem can be reduced by the use of specialized trading companies which, for a fee ranging between 1 and 5% of the value of the transaction, will provide trade related services like transportation, marketing, financing, credit extension, etc. These are ever growing in size.²³

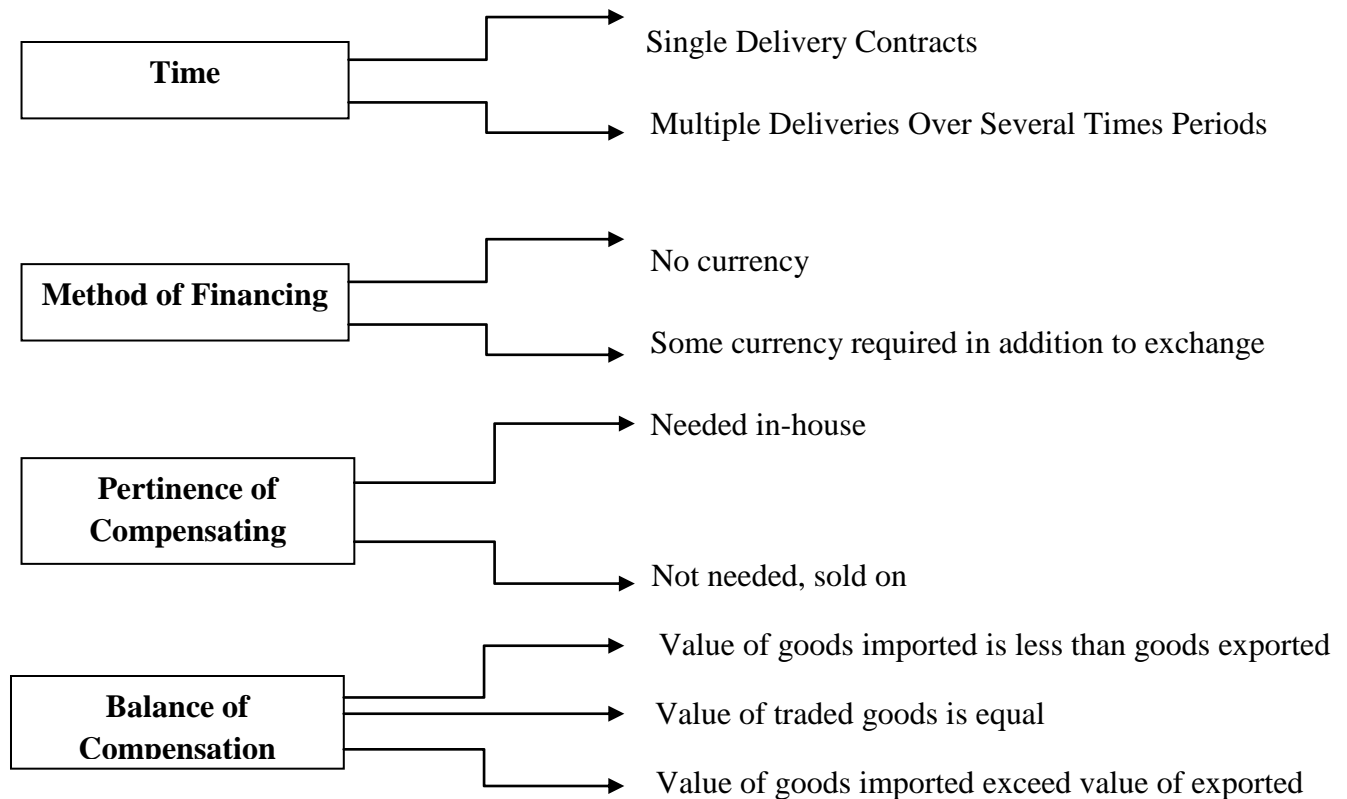
Countertrade has disadvantages:

- Not covered by WTO so “dumping” may occur
- Quality is not of international standard so costly to the customer and trader
- Variety is low so marketing of what is limited
- Difficult to set prices and service quality
- Inconsistency of delivery and specification,
- Difficult to revert to currency trading - so quality may decline further and therefore product is harder to market.

Following suggestions to the countertrade:

- Ensure the benefits outweigh the disadvantages
- Try to minimize the ratio of compensation goods to cash - if possible inspect the goods for specifications
- Include all transactions and other costs involved in countertrade in the nominal value specified for the goods being sold
- Avoid the possibility of error of exploitation by first gaining a thorough understanding of the customer's buying systems, regulations and politics,
- Ensure that any compensation goods received as payment are not subject to import controls.
- Despite these problems countertrade is likely to grow as a major indirect entry method, especially in developing countries.

²³ KHOURY, S.J. 1984. “Countertrade: Forms, Motives, Pitfalls and Negotiation Requisites”. *Journal of Business Research*, Vol. 12. 257-270 p.



Picture 5 Classification of countertrade

Source: SHIPLEY, D.D. “*Successful Countertrading. Management Decision*”. Vol. 26, No. 1. 49-52 p.

3.3.1 Foreign production

Besides exporting, other market entry strategies include licensing, joint ventures, contract manufacture, ownership and participation in export processing zones or free trade zones.

3.4 Licensing

Licensing is defined as the method of foreign operation whereby a firm in one country agrees to permit a company in another country to use the manufacturing, processing, trademark, know-how or some other skill provided by the licensor. It is quite similar to the franchise operation. Licensing

involves little expense and involvement. The only cost is signing the agreement and policing its implementation.

Licensing gives the following advantages:

- Good way to start in foreign operations and open the door to low risk manufacturing relationships
- Linkage of parent and receiving partner interests means both get most out of marketing effort
- Capital not tied up in foreign operation and
- Options to buy into partner exist or provision to take royalties in stock.

The disadvantages are:

- Limited form of participation - to length of agreement, specific product, process or trademark
- Potential returns from marketing and manufacturing may be lost
- Partner develops know-how and so license is short
- Licensees become competitors - overcome by having cross technology transfer deals and
- Requires considerable fact finding, planning, investigation and interpretation.

Those who decide to license ought to keep the options open for extending market participation. This can be done through joint ventures with the licensee.

Licensing means renting or leasing of an intangible asset. It is a process of creating and managing contracts between the owner of a brand and a company or individual who wants to use the brand in association with a product, for an agreed period of time, within an agreed territory. Licensing is used by brand owners to extend a trademark or character onto products of a completely different nature. An arrangement to license a brand requires a licensing agreement. A licensing agreement authorizes a company which markets a product or service a licensee, to lease or rent a brand from a brand owner who operates a licensing program a licensor. A company may choose to license its brand when they believe there is strong consumer acceptance for brand extensions or products. Apart from benefits to licensors, there are benefits to licensees as well. Licensees lease the rights to a brand for incorporation into their merchandise, but do not share ownership in it. Having access to major national and global brands, and the logos and trademarks associated with those

brands, gives the licensee significant benefits. The most important of these is the marketing power the brand brings to the licensee's products. When brand managers enter or extend into new product categories via licensing they create an opportunity for a licensee to grow their company.

- Licensors choose the product categories to be licensed
- Licensors find and negotiate a license with the best licensees
- Licensees develop concepts, prototypes and final production samples and submit for approval
- Licensors approve licensed products for sale
- Licensees sell licensed products to authorized retailers

Licensees expect that the license will provide them with sales growth. This sales growth may be in the form of growth within existing market or the opportunity to enter a new market. To achieve this, licensees expect that the brand they are licensing has significant brand preference, that it will open doors and ultimately help them meet or exceed their business objectives. The licensing contract forces the licensee to achieve certain sales targets and royalties; therefore, the goal of the licensee is to quickly meet their business objectives, thereby achieving their contract obligations. Royalties are the monies paid to a licensor by the licensee for the right to use the licensed property. It is calculated by multiplying the Royalty Rate by the Net Sales.²⁴

3.5 Joint ventures

Joint ventures can be defined as an enterprise in which two or more investors share ownership and control over property rights and operation. Joint ventures are a more extensive form of participation than either exporting or licensing. Joint ventures give the following advantages:

- Sharing of risk and ability to combine the local in-depth knowledge with a foreign partner with know-how in technology or process
- Joint financial strength
- May be only means of entry and
- May be the source of supply for a third country.

²⁴ MANTON S. 2005. *Integrated Intellectual Asset Management*. Gower Publishing. ISBN 0-566-08721-9.

They also have disadvantages:

- Partners do not have full control of management
- May be impossible to recover capital if need be
- Disagreement on third party markets to serve and
- Partners may have different views on expected benefits.

A joint venture is a business agreement in which the parties agree to develop, for a finite time, a new entity and new assets by contributing equity. They exercise control over the enterprise and consequently share revenues, expenses and assets. There are other types of companies such as JV limited by guarantee, joint ventures limited by guarantee with partners holding shares. The venture can be for one specific project only - when the JV is referred to more correctly as a consortium or a continuing business relationship. The consortium JV, also known as a cooperative agreement is formed where one party seeks technological expertise or technical service arrangements, franchise and brand use agreements, management contracts, rental agreements, for one-time contracts. The JV is dissolved when that goal is reached. A joint venture takes place when two parties come together to take on one project. In a joint venture, both parties are equally invested in the project in terms of money, time, and effort to build on the original concept. While joint ventures are generally small projects, major corporations also use this method in order to diversify. A joint venture can ensure the success of smaller projects for those that are just starting in the business world or for established corporations. Since the cost of starting new projects is generally high, a joint venture allows both parties to share the burden of the project, as well as the resulting profits. Since money is involved in a joint venture, it is necessary to have a strategic plan in place. In short, both parties must be committed to focusing on the future of the partnership, rather than just the immediate returns. Ultimately, short term and long term successes are both important. In order to achieve this success, honesty, integrity, and communication within the joint venture are necessary.²⁵

Although JVs represent a great way to pool capital and expertise and reduce the exposure of risk to all involved, they do present some unique challenges as well. A business arrangement in which two or more parties agree to pool their resources for the purpose of accomplishing a specific task. This task can be a new project or any other business activity. In a joint venture (JV), each of

²⁵ REGAN, T. 2012. *Joint Ventures: Inside America's Almost Legal Marijuana Industry*.

the participants is responsible for profits, losses and costs associated with it. However, the venture is its own entity, separate and apart from the participants' other business interests.²⁶

3.6 Ownership

The most extensive form of participation is 100% ownership and this involves the greatest commitment in capital and managerial effort. The ability to communicate and control 100% may outweigh any of the disadvantages of joint ventures and licensing. However, as mentioned earlier, repatriation of earnings and capital has to be carefully monitored. The more unstable the environment the less likely is the ownership pathway an option.²⁷

3.7 Summary of enter strategy

These forms of participation: exporting, licensing, joint ventures or ownership, are on a continuum rather than discrete and can take many formats. Summarize the entry mode as a choice between companies owned or controlled methods – “integrated” channels or “independent” channels. Integrated channels offer the advantages of planning and control of resources, flow of information, and faster market penetration, and are a visible sign of commitment. The disadvantages are that they incur many costs, especially marketing, the risks are high, some may be more effective than others, due to culture and in some cases their credibility amongst locals may be lower than that of controlled independents. Independent channels offer lower performance costs, risks, less capital, high local knowledge and credibility. Disadvantages include less market information flow, greater coordinating and control difficulties and motivational difficulties. In addition they may not be willing to spend money on market development and selection of good intermediaries may be difficult as good ones are usually taken up anyway.²⁸

²⁶ Investopedia. *Definition of Joint Venture – JV*. <http://www.investopedia.com/terms/j/jointventure.asp>. 13.02.2014

²⁷ ANDERSON, E. 1987. "International Market Entry and Expansion via Independent or Integrated Channels of Distribution". *Journal of Marketing*, Vol. 51. 51-62 p.

²⁸ ANDERSON, E. 1987. "International Market Entry and Expansion via Independent or Integrated Channels of Distribution". *Journal of Marketing*, Vol. 51. 71-82 p.

4 EXAMINATION OF UKRAINIAN COMPANY “NEMIROFF”

Nemiroff is among the three largest global vodka companies along with Absolut and Smirnoff, exporting its products in 80 countries. Due to a competent development strategy and implementation of international management standards, the company has firmly secured the status of a world leader in the sphere of production and sales of strong spirits. All beverages within the Nemiroff brand's range are manufactures by original author's formulas to provide for a recognizable branded taste. The success story of vodka giant “Nemiroff” counts back to 1872, when earl Stroganov opened a distillery in the territory of the little town of Nemirov. In such a way a foundation of manufacture of Ukrainian high-quality vodka spirits was laid. 1872 Earl Grigory Stroganov built a distillery in the little town of Nemirov. 1906 Under the direction of Princess Maria Scherbatova (the daughter and heiress of the earl Stroganov), a distillery in Nemirov grew into the largest one in Russia, and begins spirits deliveries to state-owned plants of St. Petersburg and Moscow, as well as abroad. 1992 On the basis of the distillery in Nemirov built by earl Stroganov, Stan Glus, an experienced specialist in the spirits branch, creates the first in Ukraine private joint venture on production of liqueurs and spirits products. 1995 The Company takes lead in the Ukrainian vodka market, and develops export deliveries in Russia and other CIS countries' markets. 1997 The Company begins to promote the whole range of products under the single brand Nemiroff. 1998 The production of vodkas by proprietor's own formulas was started: the Company introduces TM Nemiroff Original, Nemiroff “Ukrainian Honey and Pepper” and Nemiroff Premium in the market. 1999 The first deliveries of Nemiroff products are made into the USA. 2003 Nemiroff Company makes itself known in one.²⁹

It has been as long as 20 years that Nemiroff Company retains the world recognition and trust of a multimillion auditorium. Presence of Nemiroff in the triplet of the largest international alcohol brands along with Absolut and Smirnoff is the strongest proof of it. During the whole period of its existence, the Company has been demonstrating positive dynamics of development, sustainable and solid growth by all business-indexes. Nemiroff is the first Ukrainian alcohol brand that officially received the status of an international brand. The international status means that not less than 30% of the product is exported. In 2011, the product by Nemiroff appeared on shelves of stores in Australia, New Zeland, Syria, Finland, Japan, and Switzerland. The Company's standings

²⁹ Nemiroff Official Website. History. <http://www.nemiroff.ua/history.php> 26.02.2014

were consolidated in the markets of Turkey, China and the RSA. In 2012, deliveries to Chile and Paraguay started. In 2013, the Company realised the first deliveries to Albania and Cambodia. Thus, Nemiroff Company represents Ukraine as a manufacturer of a quality product in 80 countries around the world. From year to year, the Company expands the geography of deliveries of its product and increase volumes of sales in the external markets. In 2012, deliveries to the CIS countries increased by 7% as compared to 2011, figures in shipment to other external markets increased by 4%, and sales indexes of Nemiroff beverages in the Duty Free chain grew by 32%. An integral part of the global sales of Nemiroff Company is building up of sales volumes in Duty Free chain. Presently, the strong drinks by Nemiroff may be purchased at the largest world airports starting from the Baltic through the Near East, and from Moscow to Shanghai. Nemiroff Company is an unquestionable leader in the National vodka market. According to RTRI Company, Nemiroff Brand was an absolute leader in the Ukrainian vodka market: the share of the International Brand in the financial expression (UAH) made up 18.2%, and 17.5% in physical terms (l) in 2010. In 2011, the Brand preserved the leading position in the Ukrainian market with the shares of 18.01% and 17.24% respectively. Following the results of 2012, it is the leader in the National vodka market in monetary terms having the share of 17.28%.³⁰

2003-2004 According to World Millionaires Club international rating with a respectable British Drinks International magazine, TM Nemiroff was recognised the “World Brand No. 1 by development dynamics” in 2003 and 2004. 2006-2008; 2010-2011 Nemiroff brand is among the TOP-3 of the world vodka market by sales volumes according to World Millionaires Club’s international rating with Drinks International magazine. 2006 In 2006, Nemiroff becomes the first Ukrainian brand that has reached the second position in the world alcohol rating of leaders by sales volumes vodka (according to “VODKA - TOP 20 Brands Worldwide” annual rating of the world leading vodka brands performed by Impact, a respectable American magazine). In “The IWSR’s top 100 International Spirits Brands” rating of IWSR Drinks Record, Britain industrial publication, TM Nemiroff also takes the second position by sales volumes among vodka brands with the results of 9.3 mln. cases of vodka (1 case = 9 litres). The IWSR research encompasses vodka markets of more than 180 countries. In the opinion of the British analysts, TM Nemiroff outstripped by sales volumes such well-known vodka brands Stolichnaya, Absolut and Finland. In ROMIR Monitoring rating of the best protected from counterfeit vodka brands in the territory of Russia, Nemiroff took the first place in the “premium” segment, and second places “super premium” and “medium” segments.

³⁰ Nemiroff Official Website. Growth Rates. <http://www.nemiroff.ua/develop.php> 26.02.2014

2007 At a solemn awards ceremony within the frames of international programme “Super brands” for 2006 in Moscow, Nemiroff Company was awarded the “super brand” status in B2C category. Nemiroff Company is included in “Super brands of the Russian consumer market” famous collection. Following the results of annual federal voting “People’s mark” in Russia, Nemiroff brand was recognised to be the mark No. 1 in “vodka” nomination. 2007-2009 International Brand Nemiroff.³¹

The Nemiroff Company is socially liable since the first days of its foundation. The consistent activity in the sphere of CSR started in 2006-2008 during the far-reaching business reorganization. In 2008, Nemiroff joined the UN Global Compact on support of steady development and promotion of business’ social responsibility. In 2012 Nemiroff was the first of strong alcoholic beverages producers from CIS countries to publish a report, which summarized the results of its CSR activity. As the most significant aspects of corporate responsibility Nemiroff points out the following: business ethics; products quality and safety; usage of natural resources sparingly and environmental protection; responsible drinking; taking care of employees; support to non-governmental organizations and charity; interactive dialog with stakeholders; support of local communities development; ensuring financial and business stability. Nemiroff Company implements scale projects aimed at sports and culture development. The most prominent of them is the program that is being implemented jointly with Klitschko Brothers Foundation. Under this program gyms of different Ukrainian towns were reconstructed and made over for free of charge use. The long-lasting joint program of Nemiroff and the Ukrainian Film Foundation for Promoting of Ukrainian Cinematography in the World Stage appeared to be highly publicized. Within the program the works of Ukrainian directors were introduced during the Cannes, Berlin and other European Festivals. An integral part of Nemiroff’s corporate social responsibility is an ecological responsibility. It is represented as implemented and efficiently functioning in production environment management system ISO 14001. The system ensures 95% of non-waste production of the company.³²

³¹ Nemiroff Official Website. Awards. <http://www.nemiroff.ua/awards.php> 26.02.2014

³² Nemiroff Official Website. CSR. <http://www.nemiroff.ua/kso.php> 26.02.2014

4.1 Nemiroff Products

Today, Nemiroff is one of the leaders of the world spirits market. Right at the outset, Nemiroff Company stated its mission as follows, “To be the best quality vodka in the world!” Since then, the Company has consistently followed the set goal and has maintained impressive popularity and a highly rational development strategy. Nemiroff sales geography covers 80 countries worldwide on 5 continents. The Company attributes its success largely to the high quality of its products. Indeed, despite the seeming ease, vodka production is actually a rather complicated process which involves quite a number of stages and technological aspects. All Nemiroff drinks are produced in strict compliance with the requirements of company’s own recipes and have a brand-specific flavor profile.

✓ Nemiroff Distinct - the first premium eko-vodka in Ukraine. The basis of the beverage is eternal pure water processed naturally with minerals of the Precambrian period. The water is coming from deep springs, protected from the environment by granite slab, and has balanced content of salts and minerals. Nemiroff experts preserve natural substance of water, which can be ideally combined with spirit, and take its part in creating refined taste of the beverage. Nemiroff Distinct has special innovative cap designed. Its unique system of leak tightness provides for capping of both the bottle neck and the holes in the doser, shutting out the bare possibility of contamination with foreign particles.

✓ Lex Ultra - is an attribute of refinement and luxury. It is the first Ukrainian vodka of the ultra-premium class. In production of Lex Ultra Nemiroff applies its brand know-how. Spirits for luxury vodka are aged in a way similar to the aging of spirits for the finest cognacs and whisk(e)y. And used for production water has a unique mineral composition. On its way to perfection the beverage undergo 11 stages of purification, including silver and platinum, resulting in one only and delicate taste of Lex. The bouquet is enriched with the subtle scent of pomegranate.

✓ Nemiroff Lex -laws of perfection determining vodka’s status and standards of quality are laid down by the Lex. The beverage is created based on exceptional original recipe of Nemiroff using high-quality raw material and the latest technologies in an alcoholic industry. The method of the best spirits selection was developed exclusively for Lex. These spirits are aged in the special reservoirs for over half a year, resulting in unpredictably refined and mild flavor. The composition is accomplished by the almost imperceptible flavour of lime blossom.

✓ Nemiroff Premium -there is more to life than weekdays. When speaking of perfection, the first, which comes to mind, is Nemiroff Premium luxury vodka. Purified according to traditional technology, and undergoing additional processing with a specially prepared absorber, made of mixed birch and stone fruit trees carbons, making the drink ideally mild, and giving it subtle, transient aroma of chilling mint. All luxury drinks have their rules, and Nemiroff Premium is no exception. To feel the fabulous flavour in full, drink only chilled vodka.

✓ Nemiroff Pine -benefits of vodka prepared on the basis of pine nuts are appreciated in the world from ancient times. Legends say that yet at time of Roman legionnaire, warriors wore pine nuts with them and use those nuts as medicines in different situations. Nemiroff Ukrainian Vodka Company developed new recipe of the drink, considering consumers' preferences and modern trends. Combining the finest ingredients – Lux spirit, artesian water and natural extract of pine nuts - together in necessary proportions, the producer obtained the mild vodka with delicious, inimitable aftertaste. Recipe and special method of vodka production allow preserving famous qualities of the pine nuts.

- ✓ Nemiroff Delikat
- ✓ Nemiroff Original
- ✓ Nemiroff Ukrainian Honey Pepper
- ✓ Nemiroff Ukrainian Birch Special
- ✓ Nemiroff Rye Honey
- ✓ Nemiroff Cranberry
- ✓ Nemiroff Light 38°
- ✓ Nemyrovskaya Osobaya
- ✓ Selected Ukrainian Winter Wheat
- ✓ Selected Ukrainian Wheat
- ✓ Nemiroff Ukrainian Wheat
- ✓ Lemon-Nemiroff Nastoika³³

4.2 Production facilities

Nemiroff Company production facilities are situated in the ecologically clean region of Ukraine – Vinnytsia region that has been since the old days named The Land of Thousand Lakes.

³³ Nemiroff Official Website. Products. <http://www.nemiroff.ua/vodka> 26.02.2014

Aggregate area of company's production facilities is about 54.000 sq. m., which ensures complete logistical cycle from delivery of spare parts to storage and transportation of finished products. General project power of Nemiroff plant's filling lines is up to 72,000 bottles per hour or 120 million litres of finished products yearly. An area of the company's own warehouses is 22,000 sq. m., (allows storing over 7 million bottles at a time). Some warehouses located near the railway. The warehouses are equipped with state-of-the-art systems of purification and treatment facilities, allowing keeping the necessary temperature and humidity level. The warehouses provide a place for storing and transshipment. Nemiroff can boast of appliances and equipment of the world top-manufactures: Krones, Dizell, LA GIRONLINE, KOSME, Culligan, Vissmann, Gardner Denver. Nemiroff get most production processes automated to guarantee constantly high quality of products. Analysis, examination, tests of products and their components are carried out on the basis of 8 modern company laboratories. There are four production laboratories, three raw material laboratories, as well as microbiological and water control laboratories operating on-site. Their total area exceeds 300 sq. meters.³⁴

4.3 Quality standards

Nemiroff is one of the top-leaders in the international market on the world market of strong alcoholic beverages. The impeccable quality of branded product is proved by the highest estimates of testers of the most prestigious international contests of Europe and USA year on year. The Nemiroff is a pace and trend maker for the highly competitive market of alcoholic beverages. Nemiroff's production is certified to meet international standards of quality management ISO 9001. In addition, the company has implemented the HACCP system (control of food safety ISO 22000), as well as ISO 14 001 system of ecological management. Nemiroff's product portfolio comprises 29 items. All Nemiroff's beverages are produced by the original recipes. The base of the drinks is selected grain spirit of the Lux quality, crystal clear artesian water of unique mineral composition and aromatic spirits and infusions made from only natural ingredients: honey, peppers, apples, raisins, cardamom, spices, birch buds, rye crackers, herbal and fruit extracts. On its path to perfection, Nemiroff beverages undergo multistage distilling with quartz sand, natural minerals such as silica and morion, as well as activated carbon purifier of birch, kernels of apricot, peach, and

³⁴ Nemiroff Official Website. Production facilities. <http://www.nemiroff.ua/pfac.php> 26.02.2014

coconut. Producing vodkas Nemiroff applies lots of original know-hows. For instance, luxury Lex line beverages undergo silver and platinum distilling, the term of spirits aging for such vodkas reaches over half-year. The company ensures strong quality control for each stage of production.³⁵

4.4 Nemiroff Ownership

Owners (Yakov Gribov and Anatoly Kipish, who control 74.96% of vodka manufacturer Nemiroff Holdings Limited) Glus family, which owns the other 25.04%

- The Nemiroff company itself was founded in 1992 by Stepan Glus, and has grown into a worldwide drink, now exported to over 70 countries.
- As of 2010, Nemiroff Holding increased its sales to \$ 473.6 million, up \$ 56.8 million (13.6%) more than in 2009.
- Because vodka of international brand “Nemiroff” is sold in 52 countries on 5 continents, it was referred to the category “Global brands”.
- The most popular drinks international brand Nemiroff vodka uses “Ukrainian Honey Pepper.” Her recipe was developed 12 years ago, since then vodka with honey, pepper and sweet clover (in Ukrainian - burkun) became the hallmark of not only the company, but also in Ukraine in the world. Among the best sellers - Nemiroff Original, “Ukrainian wheat elite”, “Ukrainian Birch Special”, Delikat, Nemiroff Premium, Lex and Lex Ultra.
- According to the data of the authoritative rating “The Millionaires Club” (UK), the international brand “Nemiroff” entered into the TOP 3 of leaders among other world spirit brands, based on volume of sales of vodka. This information was published by the magazine “Drinks International” in June 2012.

“Nemiroff Holding”, which included in its previous composition of all enterprises, in particular: the management company “Nemiroff” (Kiev), Branch Enterprise “Alco Invest”

³⁵ Nemiroff Official Website. Quality standards. <http://www.nemiroff.ua/qst.php> 26.02.2014

(Khmelnysky), UCMJ “Nemiroff” (Nemiroff, Vinnytsia region), DP “Nemiroff media (Kiev)”, “TD Nemiroff” in Russia (Moscow), “Nemiroff Polska”(Warsaw).³⁶

³⁶ Nemiroff Press reports. Nemiroff Ownership. <http://nemiroffnews.wordpress.com/category/mass-media> 04.03.2014

5 “NEMIROFF” INTERNATIONAL PATH

Ukraine's Nemiroff vodka company, a leading global producer of spirits, is taking the next step in internationalization path by considering of selling a majority stake to a strategic investor. The company's investment memorandum dispatched to potential buyers by the Kiev office of ING Bank in its report. Nemiroff, the world's third largest company in terms of vodka sales, is estimated to be worth more than \$300 million. The Central European Distribution Corporation (CEDC), which already has the largest share of the Russian vodka production market, is viewed as a potential buyer of Nemiroff. CEDC already met with the Nemiroff management to discuss the possibility of participation in the Ukrainian company, but no specific accords were reached. CEDC could take part in this deal, but would like to get 100% control of Nemiroff, a top manager of an alcohol company told. The issue can rise, what only two out of the company's three beneficiaries were willing to sell the business. The third beneficiary, Stepan Glus, the company's founder and chairman of its board of directors, with a 30% stake in Nemiroff, told that the company was not slated for sale for the time being but was prepared to consider attracting an investor for development at a global level.³⁷

5.1 Nemiroff Duty Free TFWA strategic approach

Nowadays stopping by at airport in one of TFWA (Tax Free World Association) shop, to purchase couple of Nemiroff products for our relatives, friends, colleagues and business partners – it's hard to imagine, what worldwide duty free trading strategy, gave a world recognition for Nemiroff brand.

Founded in 1984, TFWA is the world's biggest duty free and travel retail association, providing the industry with high-quality exhibitions, acclaimed conferences and workshops, and in-depth market research. TFWA is instrumental in forging close relationships between suppliers and operators, and plays a vital role in representing the interests of its members and the industry as a whole. It provides the global industry with business support and a forum for dynamic development. TFWA's commitment to the duty free and travel retail industry is summarised by its motto – by the trade for the trade. As a non-profit-making organisation - and with a membership of over 480

³⁷ RIA Novosti. Ukraine's Nemiroff vodka company seeks strategic investor. <http://en.ria.ru/Nemiroff> 04.03.2014

companies including some of the world's best-known brands and suppliers of premium goods – TFWA's range of products and services are focused purely on delivering value to the industry.³⁸

Developing a sound business plan for export was an initial intention of Nemiroff company founders. An export strategy is an essential component of business plan. To keep it simple, but insure everyone in the company involved in achieving export results is aware of the plan and has a sense of engagement with it. Developing a sound export strategy and define export aims, match resources to those aims. That all was realized by signing an agreement with TFWA, about promoting Nemiroff brands via TFWA stores worldwide. TFWA gave to Nemiroff, not just opportunity to export production in world-busiest airports and border points; it gave the opportunity to put the young Nemiroff brand on one shelf with oldest and most luxuries alcohol brands.

TFWA membership is prestigious itself and open many opportunity for businesses. Joining TFWA helps to ensure that the association represents the interests of the duty free and travel retail industry more comprehensively, and allows you to have greater input into the direction of some of its main events, including TFWA World Exhibition & Conference and TFWA Asia Pacific Conference & Exhibition. Since in TFWA are presented several industries like:

- Liquor (Wine & Spirits)
- Tobacco
- Fragrances & Cosmetics
- Fashion/Accessories/Leathergoods
- Luggage, Jewellery
- Watches & Clocks
- Home Decoration/Tableware
- Gifts/Pens/Toys/Smokers Requisites
- Electronics
- Fine Food & Confectionery

³⁸ TFWA: Tax Free World Association. Our mission. http://www.tfw.com/duty_free/What-is-TFWA.13.0.html
17.03.2014

It allows Nemiroff to use piggy-backing strategic approach, by combining several industries powers and possibilities.

5.2 Nemiroff localization approach

Targeting the Western market audience Nemiroff have to take into account taste and preference of local customers. During the company marketing research was discovered, what Eastern Europeans prefer to consume alcohol in pure form, without mixing it with juices or soda, however Western nations prefer cocktail-way of consumption.

The initial plan was to prepare different alcoholic drinks edition for Eastern and Western markets, and saturate Western markets with low alcohol containing ready-to-drink cocktails.

“Alcopop” is a colloquial term describing certain flavored alcoholic beverages, including: malt beverages to which various fruit juices or other flavorings have been added beverages containing wine to which ingredients such as fruit juice or other flavorings have been added, wine coolers, beverages containing distilled alcohol and added ingredients such as fruit juices or other flavorings. The term “alcopop” a portmanteau of the words alcohol and pop is used by advocates of tighter restrictions on alcoholic beverage sales, who argue that the beverages are especially appealing to underage drinkers. Other terms include FAB - flavored alcoholic beverage, FMB - flavored malt beverage, PPS - pre-packaged spirit or premium packaged spirits, and RTD - ready to drink. The alcoholic beverage industry does use the term “alcopop”, as equal.

“Alcopops” tend to be sweet and served in small bottles, typically 330 ml in Europe, 355 ml the normal size of a soda pop can in North America, 275 ml in South Africa, and between 4% and 7% alcohol by volume. In Europe, Canada, and South Africa “alcopops” tend to be pre-mixed spirits, including vodka, e.g. “Nemiroff Ice”. In the United States, on the other hand, alcopops often start out as un-hopped beers, depending on the state in which they are sold. Much of the malt and alcohol is removed leaving mostly water, with subsequent addition of alcohol, usually vodka or grain alcohol, sugar, coloring and flavoring. Such drinks are legally classified as beers in virtually all states and can therefore be sold in outlets that do not or cannot carry spirit-based drinks. There are, however, stronger ones that are simply pre-mixed spirits, often containing about 12.5% alcohol by volume, that can be sold only where hard liquor is available. In the United States there is a

proportionally limited tax on “alcopops” relative to those sold in Europe, although some states are considering legislation to bring their tax levels closer to the European model, which is credited with limiting consumption by youth.³⁹

However, this plan was rejected by stakeholders and owner himself, due to anxiety of lowering Nemiroff quality and wrong brand interpretation abroad. The new localization model was dedicated for enlightening the customer, how to prepare tasty cocktail in not sophisticated barman-professionals way. Not to distract the potential customer with complexity.

To make it more eye-catching and understandable for a customer, promotion campaign was called “Your Cocktail Map” and was illustrated by a world map with a preferential cocktail type divided by a state. Supported by leaflets of cocktail recipes near Nemiroff shelves.

³⁹ Flavored Malt Beverages. Second discussion paper. <http://www.boe.ca.gov/sptaxprog/pdf/fmbpaper2.pdf>
20.03.2014



Picture 6 Nemiroff Coctails

Source: Nemiroff Official Website. Nemiroff Coctails. <http://www.nemiroff.ua/info.php?info=7>
20.03.2014

5.3 Nemiroff Co-location strategy

Colocation or co-location is the act of placing multiple sometimes related entities within a single location. Nemiroff is using this principle in several ways in international business. By placing related roles or groups in a single room, building or campus in organization. Uses the practice of locating multiple similar businesses in the same facility, and placing multiple data centers in

proximity to trading centers in trading strategy. Looking to accomplish more on a limited budget, colocation may be the correct option. Nemiroff don't have the time and money to invest in the equipment, technology, security and staff to run a full data center in all facilities around the globe. Colocation help optimize department and free up resources, giving employees the time and bandwidth to focus on more strategic business tasks. Nemerof is using colocation facilities in sense of ITC needs too, by sharing the space, cooling, power and security for server, storage and networking equipment, on the same time giving IT managers access to high bandwidth, low latency and always-on connections.⁴⁰

⁴⁰ SCHMERKEN, I. 2013. High-Frequency Trading Shops Play the Colocation Game.
<http://www.wallstreetandtech.com/trading-technology/high-frequency-trading-shops-play-the-co/220300263> 20.03.2014

5.4 Dynamics of development of Nemiroff

One of the most important indicators of the company considered its dynamics. Today Ukrainian vodka company Nemiroff, founded in 1992, is the largest manufacturer and exporter of alcoholic beverages in the country. No wonder that during the whole time company demonstrate the existence of a stable and steady growth in all respects. For example, the volume of production in 2007 was 2,350 thousand ton, and in 2011 - 6550 thousand ton. The same can be said about the sales volumes of 2280 thousands in 2007 and 6420 thousands - in 2011. Of course, the success of the company would not have been so impressive, in case of the absence of at least one of the following factors:

- The presence of its own production base, guaranteeing stable product quality;
- Organization of control over the entire product lifecycle by developing and implementing programs in the field of quality management;
- Effective marketing policy, responsive to the slightest requests and market changes;
- A subtle mix of extensive and intensive methods of development of foreign markets;
- Flexible marketing policy, forming organized system of distribution.

Component of success, in addition to product quality, is its accessibility. Therefore, great attention is paid to the marketing system. Distribution is arranged in such a way that the minimum time products on the shelves of shops and supermarkets. This is facilitated by trading houses opened in cities-millionaires. And in December 2007 was recorded Trade House of Nemiroff. It allowed the company to actively work at the capacious and attractive for global manufacturers of alcohol markets. Through its sales offices Nemiroff company cooperates with independent dealers, using the method of indirect distribution. Each provides a trading house in the areas of sales, in the zone of its responsibility. The vast majority of dealers working with company for many years. Among the primary requirements for the trading partners - availability of trained staff, warehouse and streamlined logistics, financial discipline, work exclusively in their region (dealers have the right to work only on the territory assigned to them). The policy of the company's sales is a few key principles:

- Strict control over prices;
- Preventing unauthorized "spillover" of products from region to region.

These guidelines are intended to protect the interests of maximum business partners Nemiroff. They help avoid price competition between dealers, preempt dumping and reducing their earnings. This approach ensures the construction of long-term relations.

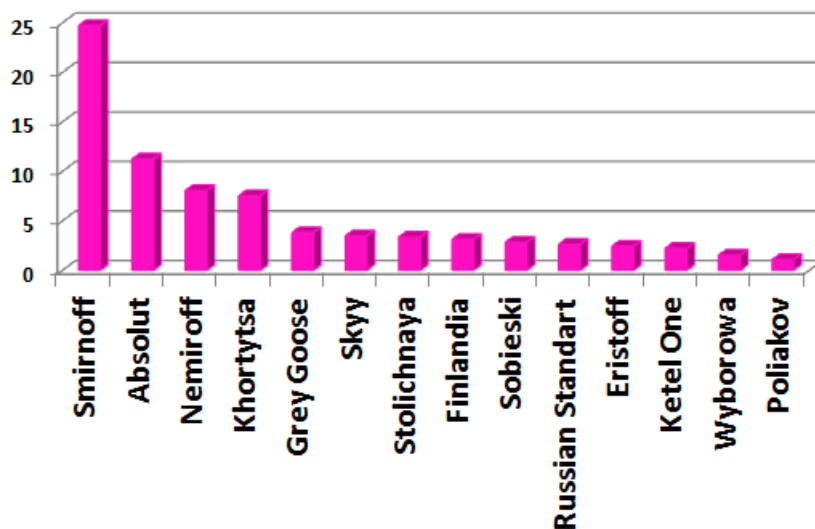
Table 3. SWOT analysis

	<p>Opportunities: expansion of production range, the list of countries in which the product is exported, improving quality, packaging, an increase in demand.</p>	<p>Threats: financial crisis, exchange rate shocks, competition, market downturn.</p>
<p>Strengths: well-known, reputable TM, exporting to more than 50 countries, 2nd place on the domestic production, adjusted production, product quality control, the leader among legal spirits producers in Ukraine.</p>	<p>Possibility to make products cheaper due to economies of scale, to be more competitive at the expense of price / quality ratio than the competitors. Take 1st place for the production of the domestic market, to strengthen quality control.</p>	<p>As possible, to minimize price shocks due to fluctuations in production, focus on affordable prices at a high level of quality. Preservation of existing products and on the interior and foreign markets.</p>
<p>Weaknesses: unharmonious staff, the underestimation of competitors, staff turnover, the instability of the dollar.</p>	<p>Improvement of working conditions, employee motivation, staff development, advertising campaigns.</p>	<p>The possibility of losing some loyal customers, reducing the market, increasing competition and instability.</p>

5.5 Nemiroff international comparism

To get to position where Nemiroff is now, it goes through many challenges, and a lot of work has been done. To find the way how to compete with such giants like Smirnoff and Absolut, was not easy. Especially because both enterprises come from more stable and successful economics, and have long lasting internationalization history, however Nemiroff strategists were able to find the way, how to overcome competitors. And become a member of prestigious “The Drinks International Millionaires Club”, honorably holding the third place in 2013.

The Millionaires’ Club is Drinks International’s ranking of the biggest selling brands in the global spirits industry. For qualification brands must achieve global sales volumes of 1 million 9-litre cases or more. This year the list comprises 176 spirits and liqueurs from all corners of the world, with notable brands entering and dropping out of the 2013 list.



Picture 7 The Drinks International Millionaires Club

Source: The Drinks International Millionaires Club.

http://www.drinksint.com/news/fullstory.php/aid/1606/The_Millionaires_Club_2013.html 26.03.2014

To bring pleasure to the connoisseurs of products in the world and, consequently, to be a worthy representative of Ukraine on the international market using the high quality of its products. To realize this strategy through its trade missions Nemiroff company works with independent

dealers, using the method of indirect distribution. Each home shopping generates sales in areas that are in zone they of responsibility.

Table 4 The list of countries where Nemiroff products are exported

Year	Market	Market total number of countries at the end of the year
2000	USA, Russia, Lithuania, Estonia, Latvia. Azerbaijan, Israel	7
2004	Armenia, Moldova, Belarus, Germany, Bulgaria, UK, Lebanon, Italy	16
2007	Georgia, Kazakhstan, Turkmenistan, Kirgizstan, Thailand, Portugal	22
2009	Japan, Ecuador, Greece, Czech Republic, Slovenia, Hungary, China	30
2010	Poland, Turkey, France, Mexico, Peru, Vietnam, Canada, Albania, Croatia, Luxemburg	39
2011	Netherlands, Australia, Spain, Cyprus, Romania, Tajikistan, Uzbekistan	47
2012	Sweden, New Zealand, Jordan, Chile, United Arab Emirates	52

Source: Market total number of countries at the end of the year <http://www.nemiroff.ua/sales.php>
01.04.2014

5.5.1 Factors of Nemiroff company success on the global market

Many factors facilitates to Nemiroff doing successful business around the globe, primarily this factors are following:

- existence of its own production facilities as a guarantee of the stable products quality;
- organisation of control over the products' entire life cycle, through development and implementation of quality management programmes;
- effective marketing policy, sensitised to the slightest changes in market demands;

- thoughtful combination of extensive and intensive methods for foreign markets penetration;
- flexible sales policy, forming a fine-tuned distribution system.

CONCLUSIONS

Even fifteen years ago, just few alcohol beverage consumers would name Nemiroff, and this despite the fact that behind this vodka brand is trademark with 130 years history. Now the situation has changed dramatically: Nemiroff knows every citizen not only in Ukraine, but also on all continents. Moreover, brand Nemiroff is constantly presented in the markets of more than 55 countries, with permanent and long lasting importers, with whom the company does work for many years. At the same time Nemiroff productions is presented and have been tasted in more than 100 courtiers.

One of the most important concepts was to find an answer to the question: which strategy and which methods, will really work in business environment, and how to apply them, to make it effective, for Nemiroff. There is no product made known to anyone - each company finds its consumers, close to it in spirit, mission and vision. The cornerstone of Nemiroff - the principle of: "One should treat others as one would like others to treat oneself". On this basis, the company chooses expensive, but causing undoubted respect advertising projects. Today Nemiroff – is not only liquors, it is also the style of life of its members, and furthermore Nemiroff is the popular football matches, boxing matches and elite and popular music, which became a classic.

A good proof of successes story, is the fact what Nemiroff company is the first Ukrainian company, which became a member of the authoritative international bartending Association, IBA. In 2004 Nemiroff second consecutive time was recognized as the fastest growing international spirits brands in the world. In the same year for the first time in the history of the Eurovision Song Contest, Nemiroff company becomes its international sponsor. Now Nemiroff - an international brand, which for the first time in the history of the World Ranking Millionaires Club, UK for two consecutive years 2012 and 2013, has managed to become the fastest growing in the world with a rate of increase greater than 40%.

RESUMÉ

Internacionalizácia hospodárskeho života a procesu vývoja svetovej ekonomiky, rovnako ako prehlbovanie medzinárodnej deľby práce, geografickej a ekonomickej integrácie, má za následok zvýšenie internacionalizácie hospodárskeho života. Rozhodujúcu úlohu v tomto procese zohrávajú nadnárodné korporácie. Tie sú aktívnymi účastníkmi a prispievajú k jeho rozvoju. Zavádzajú systém medzinárodnej produkcie, na základe umiestnenia pobočiek, dcérskych spoločností a pobočiek v mnohých krajinách po celom svete. Prenikajú do špičkových technológií, high-tech odvetví, ktoré vyžadujú značné investície a vysoko kvalifikovaný personál. Donedávna nadnárodné spoločnosti boli predovšetkým nadnárodné a rozširovali svoj vplyv do určitých regiónov sveta. Ale v poslednej dobe sa začali objavovať také korporácie, ktoré môžeme nazvať globálne. Pracujú vo väčšine alebo dokonca vo všetkých krajinách sveta s trhovou ekonomikou.

Najdôležitejším bodom v procese internacionalizácie je práve expanzia výroby, čo vedie k vytvoreniu priamych a stabilných pracovných vzťahov medzi podnikmi v rôznych krajinách. Takto sa výrobný proces v jednej krajine stáva súčasťou procesu v medzinárodnom, či dokonca globálnom meradle. V moderných podmienkach dochádza k zrýchleniu internacionalizácie výroby predovšetkým pod vplyvom vedeckotechnickej revolúcie. Moderná automatizovaná a mechanizovaná výroba vyžaduje veľké výdavky na výskum a obrovské vstupné investície na vytváranie nových priemyselných odvetví a nových produktov. V kontexte nových a rozvíjajúcich sa priemyselných odvetví sa značne zvýšil rozsah priemyselných výrobkov. V rámci národných ekonomík, a to aj vo veľkých krajinách, nemožno účinne organizovať výrobu v celom rozsahu modernej priemyselnej výroby. Za týchto podmienok aktivované procesy medzinárodnej špecializácie a spolupráce s priemyselnými krajinami posilňujú internacionalizáciu výroby. Existujú rôzne formy medzinárodnej špecializácie, ale najužšie väzby medzi výrobcami z rôznych krajín vznikajú z technologického posunu a vývoja.

Hlavným cieľom diplomovej práce je zistiť, ako internacionalizačný proces prebieha v krajinách s reštrukturalizovanou ekonomikou, od plánovaného hospodárstva k trhovej ekonomike, založenej na príklade ukrajinskej vybranej spoločnosti "Nemiroff". Diplomová práca popisuje výzvy a skúsenosti, a zistené výsledky dokazuje na základe klasických, ale aj súčasných teórií internacionalizácie. Práca je rozdelená do piatich hlavných častí.

V prvej časti sú popísané tradičné a moderné teórie internacionalizácie. Tieto teórie vysvetľujú dôvody a ekonomické výhody pre firmy pri vstupe do zahraničia.

Druhá časť opisuje ciele a metodiku použitú k rozvoju diplomovej práce, rovnako ako špecifikáciu priemyselného odvetvia.

Tretia časť sa zaoberá vybranými stratégiami, na základe ktorých Nemiroff môže zvýšiť podiel na medzinárodných trhoch a sledovať tak princípy internacionalizácie.

Štvrtá časť je venovaná charakteristike ukrajinskej spoločnosti Nemiroff, jej histórii, výrobnému portfóliu, kultúre, vzťahom s obchodnými partnermi a konkurentmi i štruktúre spoločnosti.

Piata časť pojednáva o internacionalizácii firmy Nemiroff, približuje čitateľovi najvýznamnejšie hrozby a nástrahy verzus úspechy spoločnosti; zdôvodňuje výber jej zvolených postupov, a navyše ponúka maximálnu kontinuitu a ďalšie fázy penetrácia na nové trhy.

Záverečná časť prezentuje výsledky a závery diplomovej práce, a samozrejme finalizáciu výsledkov výskumu a ich vyhodnotenie. Predkladá tiež odporúčania stranám, ktoré sú nejakým spôsobom zainteresované v spoločnosti Nemiroff, alebo v procesoch jej internacionalizácie.

Prvá kapitola odhaľuje zásadný význam internacionalizácie. Ekonomické vedy opisujú internacionalizáciu, ako proces zvyšovania účasti podnikov na medzinárodných trhoch, aj keď existuje veľa definícií internacionalizácie a medzinárodného podnikania. Poznáme rôzne teórie, ktoré sa snažia vysvetliť, prečo existujú medzinárodné aktivity. Podnikatelia, ktorí majú záujem podstúpiť procesy internacionalizácie, potrebujú myslieť globálne a získať pochopenie pre medzinárodné kultúry. Pochopením a prijatím rozdielnych názorov, hodnôt, či vzorov správania a obchodných stratégií spoločností v iných krajinách, budú môcť byť podnikatelia v internacionalizácii úspešní. Mali by tiež mať obavy podľa úrovne inovácií a zachovávať tým vysokú úroveň kvality. Zaviazat' sa k sociálnej zodpovednosti podnikov, a ďalej poskytovať najlepšie obchodné stratégie a ich produkty, alebo služby počas prispôsobovania sa rôznym krajinám a kultúram.

Druhá kapitola opisuje ciele diplomovej práce. Vysvetľuje špecifiká alkoholového priemyslu, jeho špecifiká a otázky súvisiace s jeho problematikou. Alkoholový priemysel je komerčný priemysel zapojený do výroby, distribúcie a predaja alkoholických nápojov. Tento

priemysel možno charakterizovať ako protichodný vzhľadom k mnohým protivníkom a priaznivcom potvrdzujúcim alebo negujúcim názor na jeho postavenie v spoločnosti. Častokrát tieto tvrdenia predstavujú odklon pozornosti od problémov spojených s užívaním alkoholu. Ekonomický prínos alkoholového priemyslu. Úloha tohoto priemyslu spočíva v prínose do ekonomiky a je zodpovedný za dôležité ekonomické aktivity, ktoré prinášajú príjem a pracovné miesta pre ľudí. Alkoholické nápoje patria medzi najviac daňovo zaťažené produkty na svete. Podľa štandardizácie na množstvo alkoholu v jednom litre tekutiny, je daňové zaťaženie destilátov dvojnásobné oproti pivu, a takmer až trojnásobné oproti vínu.

Internacionalizácia je jednou zo základných predpokladov pre dosiahnutie väčšej produktivity firmy na trhu. Zaisťuje firmám možnosti presne reagovať na rýchlo meniace sa trhy a vhodne aplikovať svoje zručnosti na potreby, ktoré sa počas vykonávania procesov objavujú.

Táto práca je založená na výskume ukrajinskej spoločnosti Nemiroff, zobrazuje rozličné spôsoby a možnosti, ako dosiahnuť konkurenčné výhody prostredníctvom firemných krokov na medzinárodnej úrovni mimo domovskú krajinu.

Cieľ bude dosiahnutý určením rozsahu teoretických poznatkov internacionalizácie od klasických až po moderné obdobie vzniku, či tiež od zovšeobecňujúcich až po konkrétne špecifické stratégie v internacionalizačnom procese firmy Nemiroff a jej dosiahnutých úspechov. Taktiež podrobnými analýzami súčasných procedúr a administrácie, či porovnávaním a zvážením kladov a záporov navrhovaných procesov.

Táto diplomová práca využíva množstvo techník, ktoré ukazujú procesy internacionalizácie z rôznych uhlov. Pre dosiahnutie kvalitných a presných výsledkov boli použité iba metódy, ktoré súhlasia s témou. V teoretickej a praktickej časti sme využili široké spektrum vedeckých metód.

V tretej kapitole sme sa snažili adaptovať do navrhovaných procesov správnu stratégiu pre internacionalizáciu. Stratégia pre vstup na nový trh je súborom smerníc kultivovaných v prostredí samotnej firmy. Všetky spoločnosti operujúce na medzinárodnej báze, rozvíjajú stratégiu: otvorene, alebo skryto riadiť svoje aktivity. Tento jav sa nazýva stratégia globálnej prevádzky. Takýchto stratégií existuje niekoľko. Poskytujú základný rámec k vzniku stratégií pre vstup na nové trhy, kým samotná stratégia pre vstup na nové trhy podáva celkový plán vstupu na nové trhy a prvky potrebné pre dosiahnutie tohto cieľa. Režim vstupu je základným prvkom pri tvorbe tejto stratégie.

Štvrtá kapitola opisuje priamo spoločnosť Nemiroff, analýzy a historické obdobia spoločnosti. Je to už dvadsať rokov, čo si spoločnosť Nemiroff uchováva svetové uznanie a dôveru. Prítomnosť spoločnosti Nemiroff v trojici najväčších medzinárodných značiek alkoholu spolu popri Absolut a Smirnoff je toho najsilnejším dôkazom. Po celú dobu svojej existencie spoločnosť demonštruje pozitívnu dynamiku rozvoja, udržateľný a solídny rast všetkých obchodných indexov. Nemiroff je prvá ukrajinská značka alkoholu, ktorá oficiálne obdržala status medzinárodnej značky. Medzinárodné postavenie znamená, že spoločnosť vyváža viac ako 30% produktu.

Piata kapitola popisuje presný postup, ktorý si firma Nemiroff vo svojom procese internacionalizácie vybrala. Kapitola objasňuje, prečo boli konkrétne spôsoby vybrané a zároveň vysvetľuje podmienky a následky.

Úspech spoločnosti by nebol tak pôsobivý v prípade absencie aspoň jedného z nasledujúcich faktorov:

- Prítomnosť vlastnej výrobnéj základne, ktorá zaručuje stabilnú kvalitu výrobkov;
- Organizácia kontroly nad celým výrobným cyklom pomocou vypracovania a realizácie programov v oblasti riadenia kvality;
- Efektívna marketingová politika, reagujúca i na nepatrné požiadavky a zmeny na trhu;
- Zmes rozsiahlych a intenzívnych metód rozvoja zahraničných trhov;
- Flexibilná marketingová politika, ktorá tvorí organizovaný systém distribúcie;

Ešte pred pätnástimi rokmi by iba niekoľko konzumentov alkoholu vymenovalo Nemiroff aj napriek tomu, že za touto vodkou sa skrýva 130 – ročná história. V poslednej dobe sa situácia dramaticky zmenila: značku Nemiroff pozná každý obyvateľ nielen v Ukrajine, ale na všetkých kontinentoch. Navyše túto značku konštantne predávajú na trhoch viac ako 55-tich krajín importéri, s ktorými firma dlhé roky spolupracuje. Súčasne bol Nemiroff testovaný a uvedený v ďalších viac ako 100 krajinách sveta.

Jednou z najdôležitejších koncepcií bolo nájsť odpovede na niekoľko otázok. Aká stratégia či metódy budú v tomto biznis modeli fungovať? Ako ich efektívne aplikovať? Neexistuje produkt, ktorý by bol známy všetkým. Každá firma si svojich zákazníkov musí nájsť na základe svojej vízie. Základným kameňom firmy Nemiroff je zásada: “Správaj sa k ostatným tak, ako chceš aby sa

ostatní správali k tebe”. Na základe tejto zásady firma volí síce drahé, ale rešpekt vzbudzujúce riešenie reklamy. Dnes už Nemiroff nie je iba alkohol, ale súčasť životného štýlu jeho obľúbencov. Veľmi úspešne tiež podporuje futbalové a boxerské zápasy, osobnosti zo šoubiznisu a hudobníkov.

Dôkaz úspešného príbehu podčiarkuje fakt, že Nemiroff sa ako prvá ukrajinská firma stala členom Medzinárodnej asociácie barmanov, IBA (International bartending association). V roku 2004 bol Nemiroff uznaný ako druhá najrýchlejšie rastúca medzinárodná značka alkoholu vo svete. V tom istom roku sa po prvýkrát v histórii súťaže Eurovision song contest stal Nemiroff medzinárodným sponzorom súťaže. Dnes je Nemiroff medzinárodná značka, ktorá sa dostala do hodnotenia World Ranking Millionaires Club dvakrát po sebe v rokoch 2012 a 2013. Okrem toho sa tiež stala najrýchlejšie rastúcou firmou na svete s ročným rastom viac ako 40 %.

REFERENCES

BOOK REFERENCES:

1. ANDERSON, E. 1987. "*International Market Entry and Expansion via Independent or Integrated Channels of Distribution*". *Journal of Marketing*, Vol. 51. 51-62 p.
2. ANDERSON, E. 1987. "*International Market Entry and Expansion via Independent or Integrated Channels of Distribution*". *Journal of Marketing*, Vol. 51. 71-82 p.
3. AUERBACH, P. 1996. *Firms, competitiveness and the global economy*.
4. BATOR, F. M. 1958. *The Anatomy of Market Failure*. *The Quarterly Journal of Economics*. p. 351–379.
5. BLAUG, M. 1992. *The methodology of economics, or, how economists explain*. Cambridge University Press. 286 p. ISBN 0-521-43678-8.
6. CARTER S. 1997. *Global Agricultural Marketing Management*. 305 p.
7. COLLETT, W.E. 1991. *International Transport and Handling of Horticultural Produce*.
8. ELGAR, E. 2003. *Learning in the Internationalisation Process of Firms*.
9. EVERS, N. 2010. "Factors influencing the internationalization of new ventures in the industry: An exploratory study". *Journal of International Entrepreneurship*. Vol. 8 No. 4. 392-416 p.
10. FIELD A. J. 2011. *A Great Leap Forward: 1930s Depression and U.S. Economic Growth*. New Haven, London: Yale University Press. 114 p. ISBN 978-0-300-15109-1
11. HILL, C. 2007. *International Business Competing in the Global Marketplace*. McGraw-Hill. 168 p. ISBN 978-0-07-310255-9.
12. JOMO, K.S. 2007. *Flat World, Big Gaps: Economic Liberalization, Globalization and Inequality*.
13. KHOURY, S.J. 1984. "Countertrade: Forms, Motives, Pitfalls and Negotiation Requisites". *Journal of Business Research*, Vol. 12. 257-270 p.
14. KHOURY, S.J. 1984. "Countertrade: Forms, Motives, Pitfalls and Negotiation Requisites". *Journal of Business Research*, Vol. 12. 257-270 p.
15. KING, A.W. 2007. *Disentangling interfirm and intrafirm causal ambiguity: "A conceptual model of causal ambiguity and sustainable competitive advantage"*. *Academy of Management Review*. 156-178 p.

16. KNICKERBOCKER, F. T. 1973. *Oligopolistic Reaction and Multinational Enterprise*. Harvard University Press. ISBN-13: 978-0875841021
17. LITTLER, D. 1995. *Marketing Strategy*. Butterworth: Heinemann Limited
18. MACEWAN, A. 1999. *Neo-liberalism or democracy: economic strategy, markets, and alternatives for the 21st century*. Zed Books. ISBN 1-85649-725-9.
19. MANTON S. 2005. *Integrated Intellectual Asset Management*. Gower Publishing. ISBN 0-566-08721-9.
20. MARKO A. 2012. *Theorizing Globalization: A Critique of the Mediatization of Social Theory*. 412 p.
21. PAVORD, B.1991. *Quoted in The Export Marketing Decision*. Network and Centre for Marketing.
22. PITELIS, C. 2000. *The nature of the transnational firm*. Routledge. 224 p. ISBN 0-415-16787-6.
23. REGAN, T. 2012. *Joint Ventures: Inside America's Almost Legal Marijuana Industry*.
24. RIESENBERGER, J.R. 2014. *International Business: The New Realities: Third Edition*. Prentice Hall. ISBN-10 0-13-299126-8, ISBN-13 978-0-13-299126-1
25. SCHMERKEN, I. 2013. High-Frequency Trading Shops Play the Colocation Game.
<http://www.wallstreetandtech.com/trading-technology/high-frequency-trading-shops-play-the-co/220300263> 20.03.2014
26. SHEFFRIN, S. M. 2003. *Economics: Principles in Action. The Wall Street Journal: Classroom Edition*. Pearson Prentice Hall. 444 p. ISBN 0-13-063085-3
27. UGGLA, C. 2006. *Staffan Burenstam Linder*. Ekerlids förlag. ISBN 91-7092-045-1
28. WILLIAM, W A. 2008. *Do Oligopolists Earn: Noncompetitive Rates of Return*. American Economic Review.

INTERNET REFERENCES:

1. Nemiroff Official Website. History. <http://www.nemiroff.ua/history.php> 26.02.2014
2. Nemiroff Official Website. Growth Rates. <http://www.nemiroff.ua/develop.php> 26.02.2014
3. Nemiroff Official Website. Awards. <http://www.nemiroff.ua/awards.php> 26.02.2014
4. Nemiroff Official Website. CSR. <http://www.nemiroff.ua/kso.php> 26.02.2014
5. Nemiroff Official Website. Products. <http://www.nemiroff.ua/vodka> 26.02.2014

6. Nemiroff Official Website. Production facilities. <http://www.nemiroff.ua/pfac.php> 26.02.2014
7. Nemiroff Official Website. Quality standards. <http://www.nemiroff.ua/qst.php> 26.02.2014
8. Nemiroff Press reports. Nemiroff Ownership.
<http://nemiroffnews.wordpress.com/category/mass-media> 04.03.2014
9. RIA Novosti. Ukraine's Nemiroff vodka company seeks strategic investor.
<http://en.ria.ru/Nemiroff> 04.03.2014
10. TFWA: Tax Free World Association. Our mission. http://www.tfw.com/duty_free/What-is-TFWA.13.0.html 17.03.2014
11. Flavored Malt Beverages. Seconds discussion paper.
<http://www.boe.ca.gov/sptaxprog/pdf/fmbpaper2.pdf> 20.03.2014
12. Investopedia. *Definition of Joint Venture – JV*.
<http://www.investopedia.com/terms/j/jointventure.asp>. 13.02.2014