MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE
KYIV NATIONAL ECONOMIC UNIVERSITY
named after VADYM HETMAN

Institute of Business Education

Department of International Management

Field of knowledge ***07 Management and Administration***

Specialty ***073 Management***

Specialization ***Business Administration (general)***

Educational and Professional Program ***8M10i « Business Administration ((general) »***

External Form of Education

MASTER THESIS

Title

Developing Marketing Strategy of the Enterprise in Crisis Conditions (on the basis of "Project" LLC)

By Kryzhanovska Olena ____________

(Student's name, surname) (Signature)

Academic Supervisor
Doctor of Economic science,
Associate Professor
(Scientific degree, academic status)

________________ Savych Oleksandr
(Signature) (Name, Surname)

Master Thesis has been approved for defense at Attestation Examination Commission (EC)

Head of the Department of International Management Ph.D, Associate Professor
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(Signature)

KYIV 2022

MINISTRY OF EDUCATIONAND SCIENCE OF UKRAINE

KYIV NATIONAL ECONOMIC UNIVERSITY
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INSTITUTE OF BUSINESS EDUCATION

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MASTER DEGREE PROGRAM	**«BUSINESS ADMINISTRATION (GENERAL) »**
BRANCH OF KNOWLEDGE	**07 Management and administration**
SPECIALTY	**073 «Management »**
SPECIALIZATION	**8M10i «Business Administration (general)»**

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Name, Surname
Extramural studies

Master Thesis

Title: Developing Marketing Strategy of the Enterprise in Crisis Conditions (on the basis of "Project" LLC)

The title of the Master's thesis has been approved by the Rector's Order "16"12.2021 № 1903-ст

Master Thesis is based on

____

Preliminary plan of Master Thesis and the terms of its submission to the Academic Supervisor

Chapter 1 Theoretical and methodological foundations of marketing strategy formation of the enterprise
(Title, deadline – up to 24.01.22)

____

Chapter 2 Analysis of the business-environment and evaluation of marketing activities of the enterprise "Project" LLC
(Title, deadline – up to 21.02.22)

____

Chapter 3 Development and implementation of the marketing strategy of "Project" LLC under crisis conditions

(Title, deadline – up to 21.03.22)

Deadline for submitting the final version of Master's Thesis to the Academic Supervisor

(*Deadline - 16.05.22)*

Object of research is formation of updated marketing strategy under the influence of crisis factors for «Project» LLC.

Subject of research is the practical aspects of marketing strategy development for «Project» LLC.

The purpose of the Thesis is to analyze and evaluate possible alternative marketing strategies, which can be used to develop enterprise under crisis conditions and to form practical recommendations for new marketing strategy implementation.

Specific tasks seeker has to accomplish to meet the objective:

In Chapter 1 to identify theoretical and methodological aspects of marketing strategy formation; to highlight main criteria of marketing strategy development under crisis conditions.

In Chapter 2 to provide organizational and economic characteristics of the «Project» LLC and to analyze its current activity; to analyze marketing environment of «Project» LLC; to evaluate existing marketing strategy of the enterprise.

In Chapter 3 to develop alternative marketing strategies for the «Project» LLC and make their risk assessment comparison; to create updated marketing plan and analyze economic efficiency of new marketing strategy implementation.

The task has been set
by the Academic Supervisor Dr. Olexandr Savych

(Signature) (Name, Surname)

"____" ___ 202__.

The task has been given to
student _________ Kryzhanovs'ka Olena

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"_____" ___ 202__.

ABSTRACT

The master's thesis contains 109 pages, 32 tables, 31 figures,

References of 69 items.

Developing Marketing Strategy of the Enterprise in Crisis Conditions (on the basis of "Project" LLC)

The object of research is formation of updated marketing strategy under the influence of crisis factors for «Project» LLC.

The subject of research is the practical aspects of marketing strategy development for «Project» LLC.

The purpose of the Thesis is to analyze and evaluate possible alternative marketing strategies, which can be used to develop enterprise under crisis conditions and to form practical recommendations for new marketing strategy implementation.

The tasks of the work are:

- to conduct a general description of the researched company, to determine its main indicators of current activity;
- to analyze internal and external marketing environment of «Project» LLC and its impact on the company activity;
- to conduct analysis of alternative marketing strategies for the company under crisis condition;
- to assess and compare the risk of new marketing strategies for «Project» LLC;
- identify the main criteria for choosing an updated marketing strategy of the company;
- to develop marketing plan for updated marketing strategy of the enterprise;
- to analyze economic efficiency of new marketing strategy implementation.

Working hypothesis are related to the need to develop alternative marketing strategies for improvement of financial results of «Project» LLC in the Ukrainian market. The need to find alternative business models and ways to increase business value are linked to the increasing competition in the furniture market, as well as market changes under crisis factors influence. It was designed 2 alternative marketing strategies in order

to evaluate most efficient way to improve competitive and financial position of the company.

Alternative 1 - concentration niche strategy.

Alternative 2 – price and cost leadership.

Information base of research works of foreign and domestic scientists: F. Kotler and Barney, G. Armstrong and M. Porter, Shafaliuk O. and Savych O. and others are devoted to the study of certain aspects of the formation of marketing strategy.

According to the results of the study there were formulated and compared alternative marketing strategies for «Project» LLC. One option is concentration on HoReCa niche and another is traditional one, based on mass-market strategy approach, where leadership can be reached by large sales volume with most attractive price. According to all financial and market assessments the marketing strategy “Concentration on HoReCa niche” is more attractive and can be applied by the company.

The obtained results can be used for improving marketing activity of the company and finding the most productive and effective marketing strategy on the furniture market. It will allow «Project» LLC to significantly improve its financial and economic performance and improve the efficiency of its market promotion.

Year of qualification master's thesis - 2021-2022**.**

Year of Thesis defense – 2022

ACADEMIC SUPERVISOR'S REVIEW

ON THE MASTER THESIS

by the student of Institute of Business Education

Kyiv National Economic University

named after Vadym Hetman

Master degree program "Business Administration"

Kryzhanovs'ka Olena.

Title: ***Developing Marketing Strategy of the Enterprise in Crisis Conditions (on the basis of "Project" LLC)***

Relevance of the research topic.

Relevance of the work is based on the processes of globalization and the dynamic development of society, their affect the conditions of enterprise development. This requires immediate action by the company's management, especially in the new socio-economic conditions associated with the pandemic and digitalization of business, as well as in extremely difficult situations in which the whole of Europe, especially Ukraine due to military invasion. The development and implementation of an up-to-date marketing strategy for the company's development is more relevant than ever and determines not only the growth or decline of business profitability, but its survival in today's crisis.

1. **Positive aspects of the thesis:**

The master thesis is written on excellent quality level. The level of marketing analysis is deep and high. The author has developed well worked out marketing strategy which can be applied on practice. Practical recommendations could be used by the company and can bring additional value for clients that help the company to gain maximum profits in military period.

2. **The author's independent ideas and conclusions, scientific novelty**

The author has deeply analyzed the business environment of the company, compared and assessed alternative strategies and checked economic efficiency of selected marketing strategy. Therefore, the thesis contains relevant scientific novelty.

3. **Practicality of the conclusions and recommendations**

Developed alternative scenarios of marketing strategy help the company to identify correct business model that will minimize the risk and maximize profits.

4. **Negative aspects of the paper:**

The only drawback is the assumption based sales forecast and high risk of application the new strategy of the company.

5. **Total result of the Master Thesis and its approval for defense at Attestation Examination Commission:**

The Master Thesis has been done on the high quality level and it is recommended for defense at Attestation Examination Commission with excellent grade.

Academic Supervisor:

Doctor of Economics, Professor of Marketing Chair

Savych Oleksandr

“__20_”_____04________ 2022

External Reviewof Master Thesis

by the student of Institute of Business Education

KNEU named after Vadym Hetman

Kryzhanovs'ka Olena

Developing Marketing Strategy of the Enterprise in Crisis Conditions (on the basis of «Project» LLC)

Master Thesis of Kryzhanovs'ka Olena, undoubtedly, has a high relevance and practical significance for the effective development of the company in crisis conditions. It lists practical ways of developing new marketing strategy. The analysis and conclusions have an extremely good scientific foundation and justification. There are deep understanding of market situation and company life cycle.

Practical recommendations, which the author made, could be applied by the company to reach profitability of the «Project» LLC. Moreover, recommended marketing tools and ideas can be used by similar companies that combine interior design and furniture production.

The scientific justification and practical importance of the work provided, is determined by the fact that the author has collected and analyzed the current state of affairs in the company, its financial position and the share it occupies on the Ukrainian market. There were identified the strengths and weaknesses of the company, its opportunities for further development under the influence of crisis factors. the results are presented logically and correctly.

It should be noted, that this Master's thesis shows important original and relevantresearch, so, without a doubt, Kryzhanovs'ka Olena deserves the highest grade.

Reviewer ____________ Director ____________
(Sign) (position)

Solovyov Valeriy

«24» may 2022

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INTRODUCTION

Importance and Relevance of the work is based on the processes of globalization and the dynamic development of society, their affect the conditions of enterprise development. This requires immediate action by the company's management, especially in the new socio-economic conditions associated with the pandemic and digitalization of business, as well as in extremely difficult situations in which the whole of Europe, especially Ukraine due to military invasion.

The development and implementation of an up-to-date marketing strategy for the company's development is more relevant than ever and determines not only the growth or decline of business profitability, but its survival in today's crisis. Thus, the formation of the vector of the company's development requires rethinking and adaptation to new conditions, as well as the possibility of action by the company's management in the short term, minimal investment and encouragement from the state.

In all cases, the timing factor must be taken into account when choosing a marketing strategy and we did it. Opportunities and threats to the company, as well as planned changes, always have certain time limits. An enterprise cannot implement a certain strategy at any time, but only when the appropriate conditions are created, otherwise this marketing strategy may be ineffective.

Instability has occurred throughout Europe, the "great resettlement" of our people, its potential return to our country in the near future, the need for its rapid resettlement, active business visits of diplomats, journalists, business visitors, etc. are waiting for our country and this was taken into account.

The company can no longer work in the old way, time and circumstances require changes that will take into account all the specifics of the situation in the country and the crisis factors influencing the economy.

The purpose of the work is to analyze and evaluate possible alternative marketing strategies, which can be used to develop enterprise under crisis conditions and to form practical recommendations for new marketing strategy implementation.

The tasks of the work are the next:

- to conduct a general description of the researched company, to determine its main indicators of current activity;
- to analyze internal and external marketing environment of «Project» LLC and its impact on the company activity;
- to conduct analysis of alternative marketing strategies for the company under crisis condition;
- to assess and compare the risk of new marketing strategies for «Project» LLC;
- identify the main criteria for choosing an updated marketing strategy of the company;
- to develop marketing plan for updated marketing strategy of the enterprise;
- to analyze economic efficiency of new marketing strategy implementation.

The object of research is formation of updated marketing strategy under the influence of crisis factors for «Project» LLC.

The subject is the practical aspects of marketing strategy development for «Project» LLC.

The study of features and problems of marketing strategies is based on the following principles: a systematic approach; use of methods of analysis and synthesis. The material for the analysis of this issue are theoretical works of leading economists-practitioners and economists-philosophers, sociologists, statistics on the development of various areas of business, potential actions by public authorities, as well as positive examples of companies, that have adapted to modern global rapidly-changing conditions.

Information base of the research is the actual financial statements of «Project» LLC and all market data available in open resources. Company performance indicators were based on the analysis of available internal indicators as well as the determined dynamics of the furniture market development over the coming years.

Also, we conducted a deep analysis of the company's internal management processes and open public information regarding our focus competitors and the furniture production and interior design market in general.

We used the methods of statistical forecasting, extrapolation, qualitative analysis of the product and potential client. We also conducted surveys and consultations with market players, contractors, manufacturers from other regions of the country, etc.

The main criteria for determining the effectiveness of alternative strategies are the following indexes: sales revenue, gross margin, EBITDA, net profit, return on sales (ROS), return on investments (ROI), return on marketing investments (ROMI), marketing investments per turnover, NPV, PI, Payback Period, Profitability of the margin, Profitability of cost of sales.

The obtained results can be used for improving marketing activity of the company and finding the most productive and effective marketing strategy on the furniture market. It will allow «Project» LLC to significantly improve its financial and economic performance and improve the efficiency of its market promotion.

At the moment, the company is inclined to implement proposed marketing strategy, the management highly appreciated the analytics and calculations, and considered it quite acceptable to implement the strategy we developed in the nearest future. It is obvious that the political instability in the country is now more than ever undermining all areas of the economy, and the more relevant for the company is an updated marketing strategy.

CHAPTER 1

THEORETICAL AND METHODOLOGICAL FOUNDATIONS OF MARKETING STRATEGY FORMATION OF THE ENTERPRISE

1.1 Main concepts and types of marketing strategies of the enterprise

The term "marketing" comes from the English word market - market and has the following meaning of translation: trade, subject of trade, sale, sales, sales system [1].

The origins of marketing should be sought in the social division of labor - a form of social production in which products are produced not for their own consumption, but for exchange through purchase and sale.

Marketing began to take a more sophisticated form in the late 17th century. 18th century in the United States and Europe [2].

According to the American economist P. Drucker, the birthplace of marketing is Japan, when in 1690 in Tokyo, Mr. Matsui opened the first department store [3].

Such foreign scholars studied the formation of marketing strategies: G. Armstrong and F. Kotler [4], D. Collis and C. Montgomery [5], J.-J. Lamben [6], G. Minzberg [7], M.Porter [8], O. Walker [9], Hassi [10] etc.

Among Ukrainian scientists, the problems of strategic marketing were studied by A.V. Alfiorov [11], L.V. Balabanova [12], S. Garkavenko [13], T.Zaichuk [14], G.Kaletnik [15] V. Lutsyak [16], V.Mazur [17], S.Savina [18] and others [19].

Fig. 1.1 shows the main approaches to the expression of the term "marketing strategy".

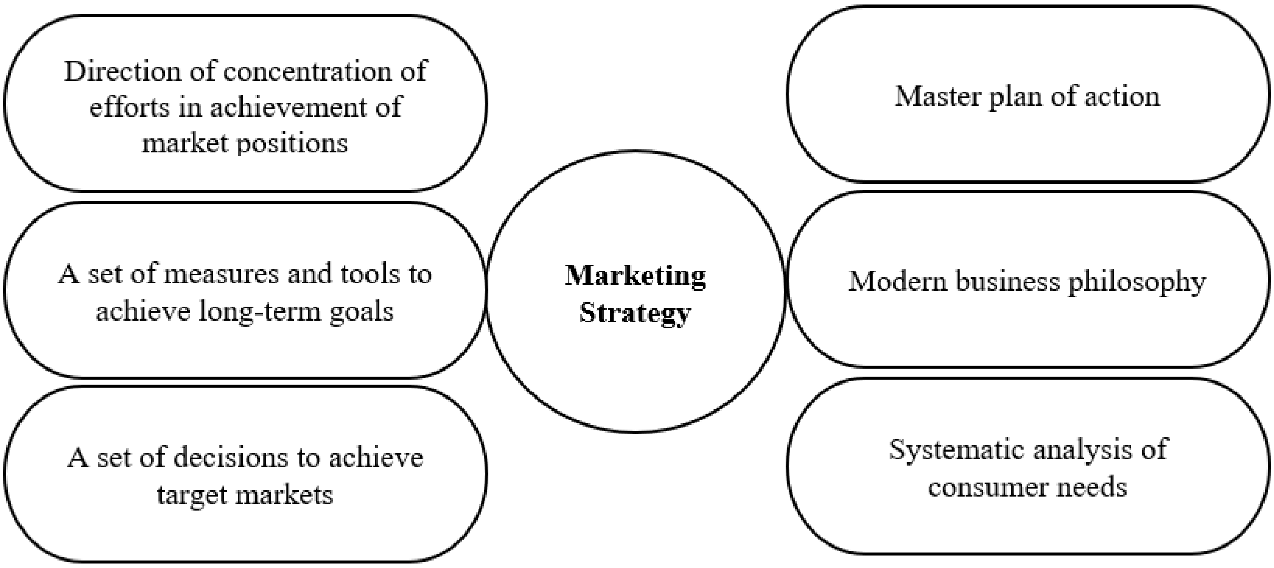

Figure 1.1 - The main aspects of the term "Marketing Strategy"

Source: developed by the author

Marketing strategy beholds businesses all goals of marketing. Marketing strategy is built around market research to create an ideal product mix to achieve maximum of potential profit [20]. Marketing strategy that specified in the marketing plan, may be product or market specific. The market plan of the enterprise illustrates the actions to be taken in achieving business goals within the set timeframes. First you need to conduct market research to identify a potential client, his needs and, most importantly, steps to meet them for a reward. Analysis of the current market situations, action programs, sales forecasts, budgets, strategies are also included [21].

The marketing concept is a philosophy about the key approach how to achieve goals, to determine the needs of the target customers and to satisfy them more effectively and efficiently than competitors. The marketing concept does not target to maximize profitable sales volumes but to generate profits due to client’s satisfaction. Therefore, the emphasis is not solely on selling products but on selling satisfaction [22]. The marketing concept resorts to marketing research, which defines the market segments, it’ size and the needs of the segments. To satisfy the needs of the target markets the marketing mix can be used to create a marketing strategy [23].

With the help of market research, we can obtain a wide range of information and the necessary actions for doing business. Collection, accounting and analysis of information on the transfer and sale of goods and producer-to-consumer services are all encompassed by market research. The purpose of scientific research is to offer analyzed facts and conclusions to eliminate problems and take correct actual solution.

Every company should research its markets, customers and competition (complete and focused) in order to move in the right direction in the most profitable and fast. The key to the right path is continuous monitoring, because markets can change quickly. Also, customer preferences and needs may change very fast [22].

There are a lot of customers on the market with different needs, preferences, habits and abilities. Market segmentation is the division a large market for a group of customers. Each group has different characteristics that place the client in a certain small group.

Marketing segmentation allows a company to coordinate its marketing efforts with the needs of the target market. Market segmentation can be done geographically, demographically, psychologically and by behavioral variables [22].

The marketing mix describes a set of tools that can be used primarily to influence sales. Although Neil H. Bearden used the term "marketing mix" in his teaching as early as late 1940s, the term was popularized in 1964 after Bordens' article "The concept Marketing Mix. The Bordens marketing mix included product, planning, pricing, branding, distribution channels, personal selling, advertising, promotions, packaging, display, service, physical handling, and fact-finding and analysis [24].

Marketing strategy is a long-term plan of achieving goals and objectives of the business through different actions. A well-structured marketing strategy, however, does not guarantee success. The key to good business strategy is to be able to adapt to unforeseen circumstances and to be able to develop the strategy to a new direction. Businesses that trust their marketing and business strategy without adapting a controlling are weak.

Marketing strategy is a plan of the future of the company:

- Marketing strategy means the consistent actions.

- Marketing strategy is the company’s chosen position in the local or global market.

- Marketing strategy is a vision of the company future state.

- Marketing strategy is a company economical scheme [25].

A business strategy is more than just a timeline of activities to be taken.

Many companies operate in industries where services, pricing and business procedures quite similar. Search for a new, monopoly business direction practically impossible. When the old business strategy is not adequate, it is necessary to find a new core business.

Marketing strategies are classified according to many criteria [26]. But we will list the most relevant to us, taking to account different crisis factors affecting the company, table 1.1 and table 1.2:

Table 1.1 - Classification of marketing strategies, part 1

Classification of marketing strategy’s part 1		
1. Depending on the term of their implementation	2. Depending on the general economic condition of the firm and its marketing directions:	3. By elements of the marketing complex:
- long-term;	- survival strategy;	- product strategy;
- medium-term;	- stabilization strategy;	- pricing strategy;
- short-term.	- growth strategy.	- strategy of commodity movement;
		- promotion strategy.

Source: developed by the author on the base of [26]

Table 1.2 - Classification of marketing strategies, part 2

Classification of marketing strategy's part 2		
4. On the basis of competitive advantage (according to Porter):	5. Depending on the competitive position of the firm and its marketing directions:	6. Depending on the ratio of the relative market share of the firm and the growth rate of its market (according to the BCG matrix) or depending on the competitiveness of and the attractiveness of its market (according to the General Electric matrix):
- price leadership strategy;	- market leader strategy;	- development strategy;
- differentiation strategy;	- strategy of challengers;	- support strategy;
- strategy of focusing (concentration).	- strategy of followers;	- harvesting strategy;
	- niche market strategy.	- elimination strategy.

Source: developed by the author on the base of [26]

The main characteristic that is necessary to ensure competitiveness is the adaptability of the enterprise, the ability to adapt to current environmental requirements, to increase their strengths due to better than competitors, the compliance of tactics with the requirements of the moment. To maintain and increase competitive advantage in the future, the company must be able to predict changes in the environment and provide conditions for successful adaptation to them, which requires a well-thought-out strategy and innovation policy.

Consider in more detail the strategy depending on the general economic condition of the firm.

Survival strategy - a purely protective strategy, which is used in a deep crisis of economic activity of the firm, when the firm is on the verge of bankruptcy. The main purpose of this strategy is to overcome the crisis by reviewing and restructuring the entire marketing complex of the firm (product, pricing policy, movement and promotion of goods) [26].

In dangerous situation without a right marketing strategy that guides marketing investments, companies create confused messages, poorly positioned products, and costly, ineffective programs that damage the business. Driving consensus around a core set of high-level business goals makes explicit the direction of the enterprise so that programs can be planned in effective way and budgets set at optimal levels. It is necessary to be constantly aware of any new threats to the business, and this means keeping updated with the news and competitor developments so that the company can effectively adjust the business survival strategies.

In a crisis, change must create the conditions for the survival of the enterprise by optimizing the use of resources, costs and mechanisms of adaptation to the environment. Unchanging organizational structure is objectively unable to ensure the same efficiency of the enterprise in different operating conditions for a long time.

Stabilization strategy - is used in conditions of rapid or unexpected decline in the basic indicators of the firm, or in conditions where the development of the firm is volatile. This strategy envisages equalization of indicators with their subsequent increase and transition to the growth strategy.

This type of strategy is especially important for small businesses that have found their niche market and are satisfied with their success. Also, this type of strategy should be used for companies operating in a stable market with low rates of development. The strategy of enterprise stability is implemented in the following cases: maintaining the same market share; satisfaction and gradual improvement of functional performance and if management does not want to take any risks that may be associated with expansion or growth [27].

A stability strategy is ideal in a stable business environment, where the organization can focus its efforts on improving its efficiency while not threatened by external changes. In some cases, organizations are limited by the rules or expectations of key stakeholders and therefore have no choice but to pursue stability strategies.

In general, the stability strategy should be used in the following cases:

- when the industry faces slow or lack of growth opportunities;
- when many small business owners implement a strategy of stability for an indefinite period;
- when the organization has just gone through a long period of rapid growth and needs to "rest" in order to have its resources and opportunities to build strength again;
- when the organization has reached the stage of maturity, and there is no opportunity for growth.

The growth strategy involves the growth of sales, profits, capital and other indicators of the firm. The marketing strategy should answer the following questions [28]:

-which product or service should be offered to the market, in what range and at what prices;

-which consumer (or which market segment) the company's activities are aimed at and which consumers' attention it may attract;

-what conditions need to be created for the sale of goods or services;

-through which channels and in what volumes the supply will be organized;

-what the after-sales service should be and who will perform it;

-what economic results market participants expect and what costs are required.

In order to answer these questions, the marketing strategy of the enterprise must develop certain rules and techniques:

- define the conditions under which the competitive advantage is formed and identify the main objectives of the company;

- define the most potential goods and services, select strategic areas of business activity, that are able in the long run to ensure the external flexibility of the enterprise and its possibility of reorientation;

- develop production and service range, which meets the current needs of potential consumers and ensures the systematic receipt of profits by the company;

- distribution of own and borrowed resources between different activities of the enterprise, so as to ensure maximum productivity (profitability) of these resources;

- interaction between production, securities, foreign exchange markets, which provides effective support for the strategic potential of the enterprise at a level sufficient to ensure competitive advantage of the company life cycle;

- formation of an effective pricing policy;

- early detection of crisis trends and prevention of bankruptcy.

If the market position is stable, development is stable and the company aims to further increase sales, profits and scale of activities, it can achieve this goal in three ways:

- intensification of capabilities and resources of the enterprise (intensive growth);
- joining forces with other enterprises (integrative growth);
- entering other areas of business not related to the main activities of the enterprise (diversification).

The strategy of price leadership involves achieving the lowest level of costs in the industry. Low costs allow you to set low prices. This, in turn, contributes to increasing market share and, ultimately, profitability.

The company can achieve price leadership in several ways:

- reduction of costs due to increased production (economies of scale);

- rejection of expensive related services (although this may lead to the loss of some customers);
- reducing the cost of marketing research and advertising;
- creation of cheaper types of tourist product or services;
- -access (or monopoly) to cheap components of the tourist product (transportation, accommodation, food, etc.);

-improvement of the technological process.

The use of price leadership strategy involves the orientation of the company to a wide range of consumers. The main attention and efforts are focused not on the differences between the needs of different consumer groups, but on what they have in common [29].

The strategy of differentiation is that the product offered by the company must be different from similar products of competitors. The competitive advantage on which this strategy is based is difference, dissimilarity with competitive ones, the presence in the company's product of something special and unique from the point of view of consumers. This makes it possible to meet the demands of different groups of consumers, to work in different segments, for each of them forming a corresponding product.

Choosing the direction of differentiation, you can use:

- product differentiation;
- service differentiation;
- personnel differentiation;
- image differentiation.

Concentration strategy involves concentrating efforts on one or more segments and achieving leadership in those segments. This can be leadership in terms of costs (low prices), uniqueness of supply (differentiation) or a combination of these strategies. The company provides a stable market position in selected segments through the possession of detailed information about the characteristics of these segments and a good knowledge of the demands and requirements of relevant consumer groups.

Benefits of this type of marketing strategy:

- the company can make big profits, even without a large market share;
- implementation of the strategy does not require significant funds.

Risks of the concentration strategy:

- a significant difference in prices for products of specialized companies operating in the market may be from the standpoint of consumers too large compared to the benefits of their products;
- the possibility of narrowing the segment on which the company focuses;
- Competitors can identify market niches within the segment and deepen specialization.

Hence the main functional tasks of marketing are:

- Development of supply idea and its planning;
- Development of product and service mix - development of the range of goods and services;
- Sales formation and budgeting;
- Communicative tasks (advertising, public relations, personal sales);
- Formation of additional service and additional value of goods or services for the client;
- Customer base support.

1.2 Methods of marketing strategy development of the enterprise

"Marketing Strategy" is a unique formula for each company, which is based on an understanding of its mission, its place in a larger market compared to competitors, as well as potential customers. [30].

Strategic marketing must fully comply with the strategic plan of the enterprise. It is necessary to begin with defining the mission, vision and values of the organization, which will be a solid foundation for decision-making on marketing strategy.

Next, we need to clearly understand, that the market is an environment, where there is a high competition. Some competitors may outperform us in a particular type of product or service, or serve highly specialized market segments. We could decide to become their direct competitors. Or, thinking strategically, bypass them, focusing on what we are better at than them. Instead of asking, "What do we do best?" we need to ask ourselves, "What can we do better than our competitors?"

We need to identify for ourselves specific market segments or niches, where our product, which we surpass our competitors, would be in demand. We will succeed, when we find and start serving the customer, who needs and is ready to buy our product. We don't have to sell our product to everyone - this approach can be fatal for our business. Instead, we should focus only on the potential consumer, deliberately ignoring markets and segments, where success is not guaranteed.

Thus, an effective marketing strategy combines three main components into the golden formula of success. The first component is our mission; second - our competitive advantages; third - outlined market segments, ready to buy our product, which surpasses its competitive counterparts.

The marketing strategy of individual firms is individual and original. As a result of the analysis and accounting of various external conditions of development, they seek to apply forms and methods of management and work in the market, that are not used by other firms. This allows us to move away from the canons of entrepreneurial behavior and choose original ways of development [31].

The complete process of strategic marketing planning includes the following main stages:

1. Conducting marketing analysis;

2. Development of the company's mission;

3. Defining the goals of the firm;

4. Development of the general strategy;

5. Defining the control mechanism [32].

The first stage includes solving a set of tasks to analyze the external and internal environment of the enterprise.

Environmental analysis - an assessment of the state and prospects of development of the most important, in terms of the company, objects and environmental factors: industry, markets, suppliers and a set of global environmental factors, where the company cannot directly influence or limited [33].

Analysis of the internal environment is an analysis of the strengths and weaknesses of the company, an assessment of its potential, which it can count on in competition in the process of achieving its goals [34].

When developing a strategy, methods of internal strategic audit research are used, for example, SWOT-analysis.

The second stage involves the development of the company's mission. The company's mission is the public goal of the company (understanding of the company's role in the business system).

The mission formulation is determined by the attitude of the firm to its customers, employees, competitors, government and more. A clear understanding of its mission allows the company to stand out from the competition and win customers [35].

In determining the mission, the company should receive answers to the following questions:

- What is the company's business?

- Who is the company's client? What is the value to the customer?

- What is the purpose of the work?

The third stage is to form company goals. The goals of the firm are the short-term and long-term results of the activity that the firm hopes to achieve as a result of its activities. Defining clear goals helps to develop an effective strategy and allows us to transform the company's mission into concrete actions.

Strategy development is connected with Marketing strategy - a set of basic decisions aimed at achieving the overall goal of the firm and based on the assessment of the market situation and its own capabilities, as well as other factors and forces of the marketing environment.

The purpose of strategy development - definition of the basic priority directions and proportions of development of firm taking into account material sources of its maintenance and demand of the market. The strategy should be aimed at making the best use of the company's capabilities and preventing erroneous actions that could reduce the company's efficiency.

Strategy is not something final and unchanging. Changes in the internal and external factors of the marketing environment may lead to the need to revise certain elements of the strategy.

The BCG Matrix is a tool for strategic portfolio analysis of the market position of goods, companies and divisions based on their market growth and market share [36].

Also, we’ll use Resources and capabilities strategic effectiveness analysis, financial statements analysis, Marketing mix approach analysis. These are today's most important methods for evaluating the situation in which a firm finds itself, its strengths and weaknesses, dateable and profitable products, the productivity of the use of resources and their importance in the market.

Our capabilities will drive the quality, innovation, operational efficiency, and reputation of our business. Conventionally, firms have answered the question “what is our business?” in terms of the market they serve: “who are our customers?” and “which of their needs are we seeking to serve?”. The Core Competence of the Corporation,” C. K. Prahalad and Gary Hamel painted to the potential for capabilities to be the “roots of competitiveness,” source of new products, and foundation for strategy [37].

The profits that a firm obtains from its resources and capabilities depend on three factors: their abilities to establish a competitive advantage, to sustain that competitive advantage, and to appropriate the returns to that competitive advantage [38].

The marketing mix aims at making our marketing positioning concrete. If Kotler popularized the 4Ps, its paternity goes to E. Jerome McCarthy (1960). We’ll analyze 5P concept. The marketing mix refers to the set of actions, or tactics, that a company uses to promote its brand or product in the market. Price: refers to the value that is put for a product. Price is defined as the price of the products and services provided. It includes all of the pricing related matters such as the retail prices, volume discounts, terms of payment, seasonal discounts, and credit terms. Price is usually seen as both the easiest and the hardest mean of competition at the same time.

Product: refers to the item actually being sold. When purchasing a product, consumers expect to benefit from it. The expectations are based on their own needs and the product is purchased to satisfy those needs. Consumer needs are divided into three main categories: functional needs, symbolic and experimental needs. The functional needs relate to consumption. The symbolic needs are based on the consumers internal needs that relate to social behavior and self-image. Experimental needs are based on desire of change, enjoyment and experience [39].

Place: refers to the point of sale. This includes the marketing channels used as well as the physical distribution of the goods (transportation and warehouse).

Promotion: this refers to all the activities undertaken to make the product or service known to the user and trade. Promotion includes the means taken to inform the customers of the products and services provided, including personal selling, advertising, sales promotions, and public relations.

People: all those people, employees, suppliers and companies that make this business possible and through which it can become even more profitable.

And of course, an analysis of the financial leaving company, since one of the goals of the company is to make a profit for its existence, development, and creating interest from investors or co-founders. Our most significant financial repost are P&L statement, Cash-flow statement and Balance-sheet statement.

In practice, the process of marketing strategic planning is more detailed and done step by step. The success of its implementation, adequacy in application and compliance with the current challenges of the current situation in the market, in the country, the company's capabilities, and hence the effectiveness of the implementation of the updated marketing strategy depend on the thoughtfulness and attention to each step in the formation of a new marketing strategy.

If the enterprise already exists, as in our case, then we must reconsider the vision, mission and goals of the enterprise in order to confirm them or reconsider their relevance to the time and today's tasks. This is important, because these are the foundations from which the top management of the enterprise will build, and which will be communicated to all hired personnel, as the basis for the formation of the main activities and development of the enterprise.

The process of forming a marketing strategy includes a mandatory analysis of the business environment - that is, in what conditions the company operates today and whether these conditions will change in the near future. We must collect and analyze information that reflects the reality of what is happening with the company, the adequacy of the analysis depends on the correctness of the incoming information.

The analysis will give us the opportunity to identify our advantages, growth points, identify our opportunities and problem areas. It is very important to know not only the strengths, but also the "Achilles heel" of the company in order to take into account possible risks in the future strategy, strengthen these places and take preventive measures. Such a detailed analysis of the company, its current tasks, understanding where the time and energy of employees is spent will give the answer: why the company began to lose productivity. Also, one of the possible questions: how the company can increase marginal profit.

Below, in fig. 1.2 the detailed process of building marketing strategic planning for the enterprise «Project» LLC is outlined.

After the analysis, the company is able to understand who is its target segment and what kind of client it is ready to serve, on whom to focus its efforts and what problems of a potential client need to be satisfied.

To survive in the competition, each company must set itself the task of increasing the level of competitiveness not only of its products but also of the enterprise as a whole. Competition creates the concept of competitiveness, the level of which will determine the success of the enterprise and market development. It is important for an industrial enterprise to have and be able to control a set of interconnected elements aimed at ensuring its strong competitive position and maintaining and developing existing competitive advantages.

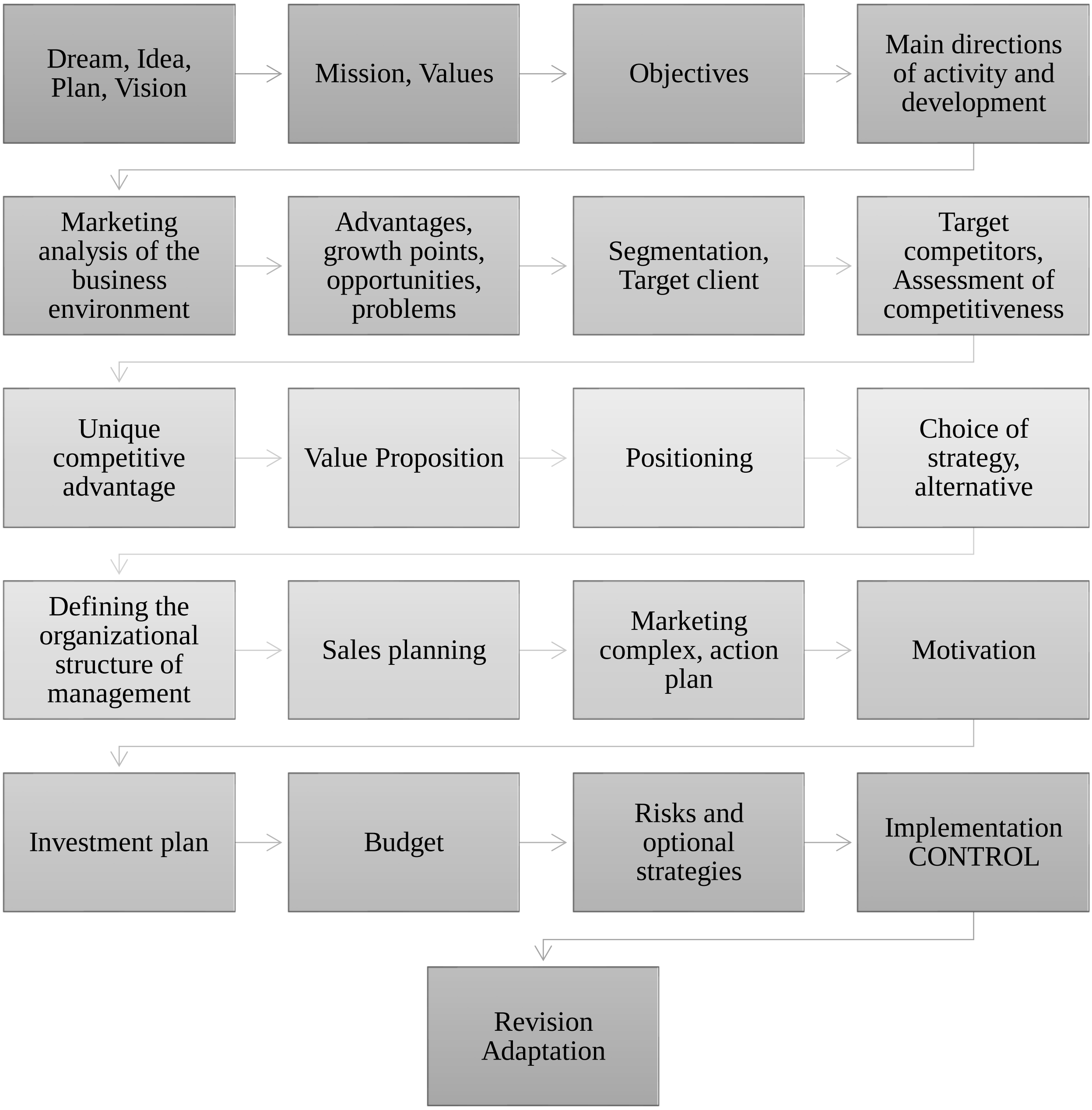

Figure 1.2 - The main aspects of the term "Marketing Strategy"

Source:[40]

There are various methods of analysis of competitive advantages, but the most common are methods that characterize the market position of the enterprise (product). They are divided into formal and matrix models of research of a particular type of activity (business) of the enterprise. Among the formal methods should be noted [41]:

- M. Porter's model;
- product-market model (Ansoff);
- model of accumulated experience;

- LCP model (product life cycle);
- LCT (technology life cycle) model.

The matrix models and methods include:

- BCG model;
- McKinsey method;
- Shell / DPM model;
- Hofer / Schendel model;
- ADL method;
- PIMS method.

It should be noted that the model of the Boston Consulting Group - BCG matrix - is characterized by the following advantages [42]:

- high suitability for strategy development; the ability to detail the strategic problems of the enterprise;
- is the basis for the analysis of the interaction between different areas of activity and different stages of development of each area of activity.

The McKinsey method also has its advantages:

- wide scope of application in comparison with the BCG matrix;
- differentiated assessment of the enterprise;
- detailed analysis;
- the attractiveness of the market and by increasing the number of valuation factors.

Identifying the most important and profitable products of the company allows you to use competitive advantages in your business in order to achieve greater economic benefits and attract more consumers. Particular attention needs to be paid to the process of forming the competitive advantages of enterprises on the basis of constant monitoring of market conditions, the position of competitors in it, taking into account changes in tastes and preferences of consumers.

Criteria for assessing the enterprise competitive advantages are shown in Figure 1.3:

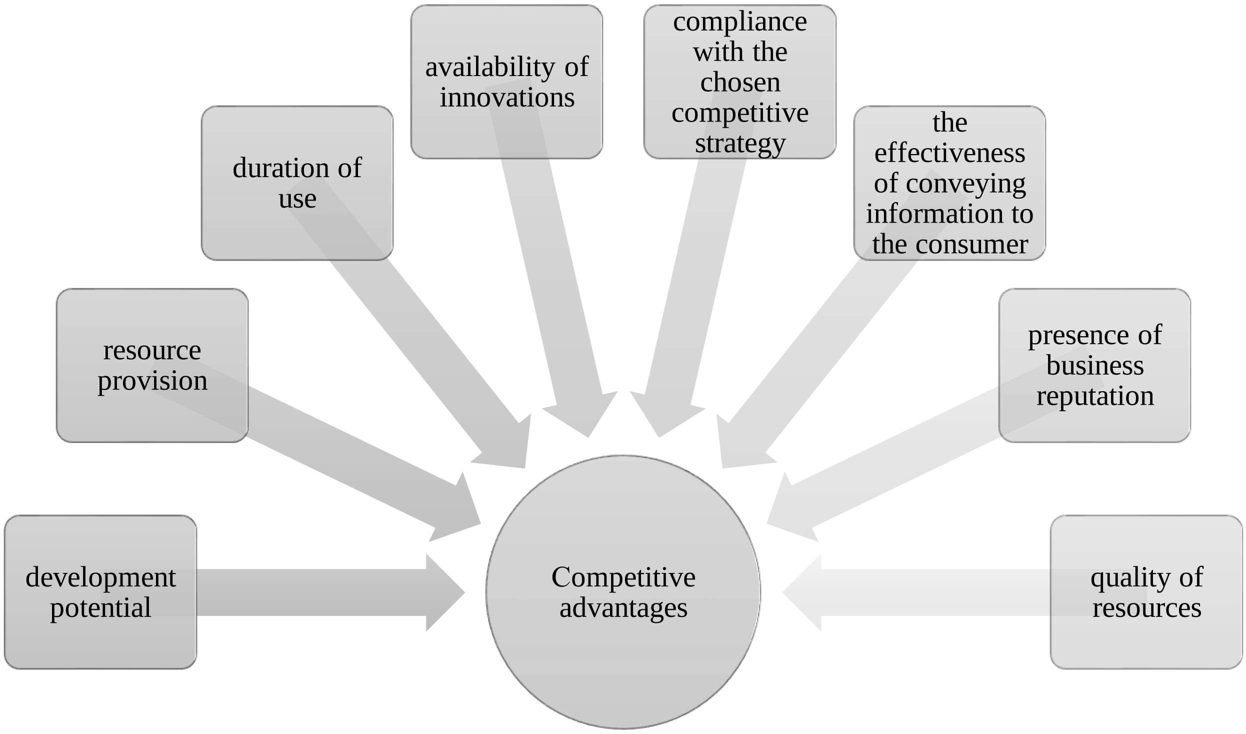

Figure 1.3 - The main aspects of the term "Marketing Strategy"

Source: developed by author on the base of [43]

A value proposition refers to the value a company promises to deliver to customers should they choose to buy their product. The value proposition provides a declaration of intent or a statement that introduces a company's brand to consumers by telling them what the company stands for, how it operates, and why it deserves their business [44]. A value proposition can be thought of as a business or marketing statement that a company uses to help a consumer understand why they should buy a particular company's product or service.

Positioning is a strategic process that involves creating an image of the brand or product within the target customers’ minds.

After the ideas of new possible marketing strategies have arisen, the stage of their planning and evaluation begins.

1.3 The main criteria for choosing marketing strategy of the enterprise under crisis conditions

Analyzing examples of the choice and application of different strategies by different firms, we can talk about a great variety of marketing strategies. Despite the fact that the basic goal of all manufacturers in the market is the same - to make a profit, there is no single marketing strategy to achieve it, which would be acceptable to all firms [45].

The choice of marketing strategy carried out by the management of the enterprise is made taking into account a number of factors. The most important of them are [46]:

- advantages and disadvantages inherent in some alternative strategies;
- marketing strategies of competitors;
- competitive advantages of the enterprise, its strengths;
- interests, attitudes and risk appetite of business leaders;
- financial resources of the enterprise;
- qualification of staff;
- liabilities of the enterprise under previous strategies.

When choosing a marketing strategy, the time factor must be taken into account so that the strategy meets external challenges and gives the greatest possible effect by using the existing internal capabilities of the company.

The selected strategy is evaluated according to the criteria of its compliance:

- optimality and sufficiency of accounting when choosing a strategy of the main factors that determine the possibility of its implementation;
- the state and requirements of the external marketing environment (the extent to which the strategy is related to the requirements of key stakeholders, the extent to which market dynamics, product or service life cycle development, whether the strategy will lead to new competitive advantages, etc.);

- the potential and capabilities of the enterprise (the extent to which the chosen strategy is related to the overall objectives, whether it meets the capabilities of staff, whether the existing organizational structure allows you to successfully implement the strategy, etc.);
- degree of risk (realism of the preconditions underlying the choice of strategy; what negative consequences the failure of the strategy may lead to; whether the risk of losses from failure in the implementation of the strategy will justify a possible positive result).

The company usually changes its strategy under the following conditions:

- for a long time, it does not ensure the achievement of satisfactory performance;
- competitors have dramatically changed their strategy, which has affected the state of the market;
- changed the external factors that determine the activities of the enterprise;
- prospects have been opened for measures that can significantly increase profits;
- new consumer preferences have changed or emerged or there are trends for possible changes in this area;
- the tasks set by the strategy have already been solved.

After developing a marketing program, it is advisable to evaluate it using the following criteria:

- expediency (does the program provide an opportunity for the company to obtain a real and sustainable position in the market?);
- validity (are the assumptions underlying the program realistic?);
- feasibility (are there any resources needed to implement the program?);
- consistency (how are the individual elements of the marketing complex interconnected and do they correspond to the characteristics of the marketing environment?);

- vulnerability (what is the level of risk associated with the implementation of the program?);
- flexibility (to what extent does the program allow you to respond to possible changes in the advertising environment?).

It is possible that the results of the evaluation will require a return to the initial stages of formation of the marketing program.

To be effective, a marketing program must:

- have the support of both the management and the entire staff of the tourist enterprise;
- provide for alternatives and appropriate corrective actions in situations where the underlying preconditions are not confirmed in practice;
- provide the possibility of periodic (in due time) review and make the necessary adjustments;
- be considered as a management tool that rigidly fixes the goals and marketing strategies, but allows flexible adaptation of the means to achieve them, taking into account the current market situation.

In order to choose the right strategy from a variety of alternative options, we must determine the risks of each alternative, predict the degree of impact of these phenomena on our business and how we can prevent it or nullify the impact of this risk. In today's business, different risk assessment methods are used, some of them require special software, some are easily calculated using a pen and sheet or Excel spreadsheet.

Risk is defined as uncertainty, that is, as the deviation from an expected outcome.

Risk is the possibility of loss or injury. It is a part of everyday life for businesses and individuals.

To calculate the risks for the developed marketing strategies, it is necessary, of course, to analyze all possible risk factors of the economy, politics, market movements and changes more carefully and in detail. Risk assessment steps are listed in the fig 1.4:

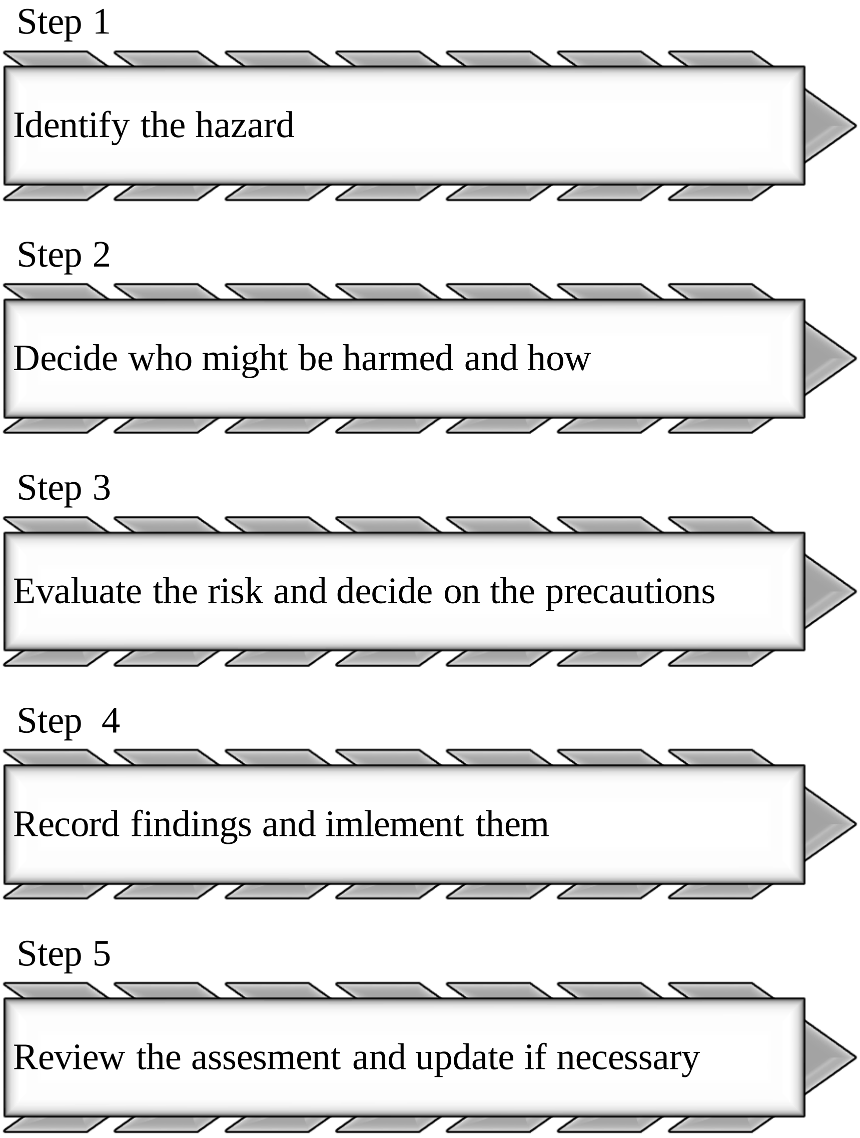

Figure 1.4 – Risk assessment steps

Source: [47]

The main methods for identifying and assessing risks are as follows: Probability/Consequence Matrix (Risk Matrix), Bow-Tie Analysis, Delphi Technique, SWOT Analysis. We will use some of them: Risk Matrix and SWOT Analysis.

Another criterion in evaluating our strategies will be one of the most important indicators - financial ratios and financial indicators in dynamics.

The most significant financial indicators are: positive and stable cashflow (distributed receipts (inflows) and payments (outflows) of funds generated by the economic activity of the enterprise, regardless of the sources of their formation), which let the company actually do the business, P&L statement, which will show us profitability of our enterprise and Balance sheet statement, one of the main components of accounting, which can tell us about data on assets, liabilities and equity.

The most significant analytical ratios are, table 1.3, table 1.4, table 1.5:

Table 1.3 – Analytical ratios

Analytical ratios		
NPV	CF	IRR
It is the sum of the discounted values of the payment stream, reduced to today. The NPV indicator is the difference between all cash inflows and outflows, reduced to the current point in time	a set of time-distributed receipts (inflows) and payments (outflows) of funds generated by the economic activity of the enterprise, regardless of the sources of their formation	The interest rate that equalizes the present value of future cash flows and the value of the original investment, net present value (NPV) is 0.
$NPV = \sum_{t=0}^{N} \frac{CF_t}{(1+i)^t} = -IC + \sum_{t=1}^{N} \frac{CF_t}{(1+i)^t}$	$NCF = PosCF - NegCF,$	$NPV = -IC + \sum_{t=1}^{N} \frac{CF_t}{(1+IRR)^t} = 0$
CFt - Payment after t years (t=1…N years)	Pos - income	IC - invested capital
i - discount rate	Neg - outcome	IRR - internal rate of return

Source: [48]

Table 1.4 – Analytical ratios

Analytical ratios		
Profitability index (PI)	Payback period	EBITDA
an index that represents the relationship between the costs and benefits of a proposed project	the amount of time it takes to recover the cost of an investment (In essence, the shorter payback an investment has, the more attractive it becomes)	an analytical indicator equal to the volume of profit before interest, taxes, depreciation and accrued amortization
the present value of future expected CFs ÷ initial investment amount in the project.	Payback Period=Cost of Investment ÷ Average Annual CF	Net Income + Taxes + Interest Expense + Depreciation & Amortization

Source: [48]

Table 1.5 – Analytical ratios

ROE	ROI	ROM
return on equity	return on investment	return on investment in marketing
Profitability comprehensively reflects the degree of efficiency in the use of material, labor and financial resources, as well as natural resources	financial ratio illustrating the level of profitability or unprofitability of a business, taking into account the number of investments made in this business	ratio that evaluates marketing performance and is impact on profit
net income/Equity	ROI= Cost of Investment Current Value of Investment−Cost of Investment	(Sales Growth - Marketing Cost) / Marketing Cost = Marketing ROI
CFt - Payment after t years (t=1…N years)		IC - invested capital

Source:[48]

Financial ratios measure many aspects of a business but are not typically used in isolation from financial statements. Financial ratios are traditionally an integral part of the analysis of financial statements. The coefficients allow you to compare:

- companies;
- industries;
- different periods of activity of the same company;
- results of the company with the average for the industry.

To assess the current state of the company, a set of coefficients (financial multipliers) is used, which are compared with the standards or with the average performance of other comparable enterprises. Ratios that go beyond the recommended limits indicate the "weak points" of the company. Ratios for firms from different industries that face different risks, capital requirements, and different levels of competition are not usually comparable and comparable.

CHAPTER 2

ANALYSIS OF THE BUSINESS-ENVIRONMENT AND EVALUATION OF MARKETING ACTIVITIES OF THE "PROJECT" LLC

2.1 Organizational, economic characteristics and analysis of marketing activities of "Project" LLC

The enterprise that is researched and analyzed in this work is LLC "Project". Founded in 2010 as a family business, it combines construction, interior design and furniture production. A few years ago, the co-founders decided to split the business and create separate divisions, which now belong to different individuals.

At present, the company LLC "Project" carries out its activities in the field of services for the design and manufacture of custom-made furniture. In 2021, its own trade mark was registered - Ukrainian furniture manufacturer (UVM – «УВМ – Український Виробник Меблів»). You can see the image of the trade mark in fig.2.1.

Figure 2.1 - Image of the trademark LLC "Project" [49]

Additional activities of Project LLC are interior design development, design development and production of accessories made of wood, metal and concrete.

Mission: To earn customers for life by building loyalty to UVM brand through 3 main foundations: quality of product, stylish design and high level of service.

Goals:

1. Rebrand the company's website, which will allow promoting the company's brand on social networks, conducting a quick initial acquaintance of the client with the company's services and key figures (designers, constructors, managers).

2. To increase turnover on 20% in 2021-2023.

Values: Attention to details, client-oriented service, creativity in design.

It’s necessary to say, that policy of following company’s values differentiate our product and service from our competitors and bring us above-average return.

In fig.2.2 the organizational structure of the company LLC "Project" is schematically shown:

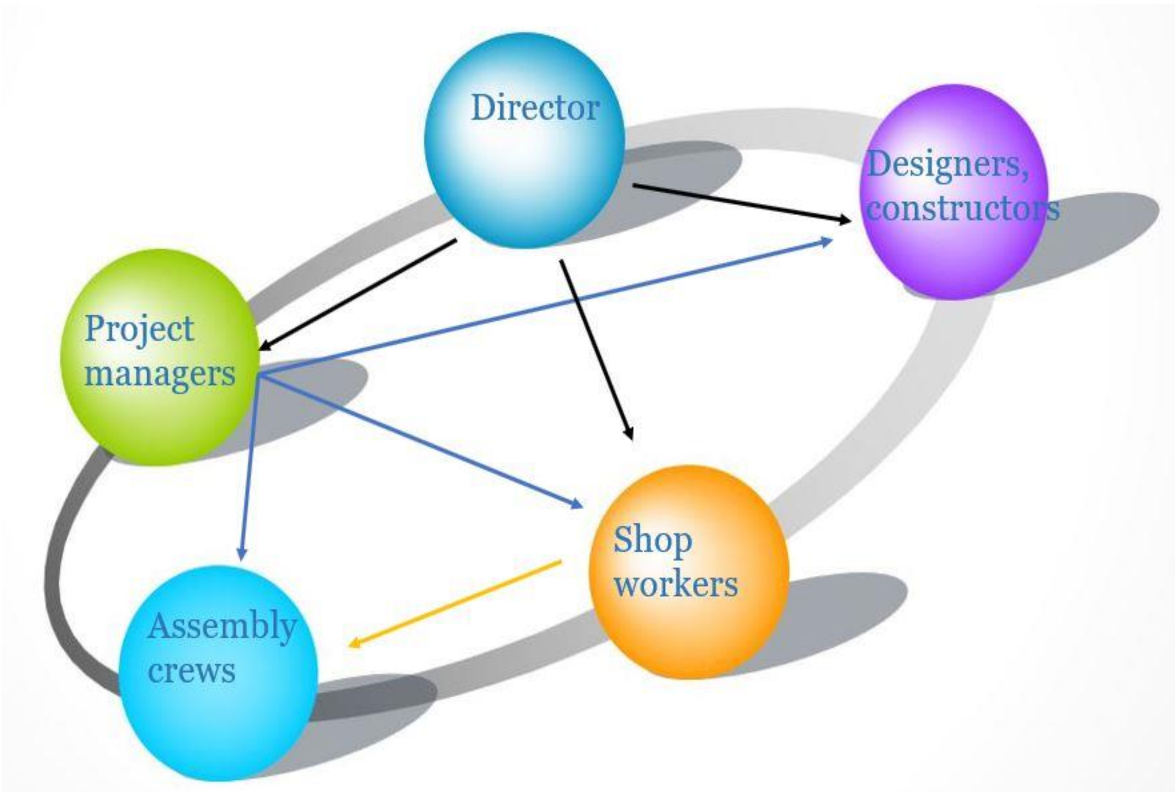

Figure 2.2. - Scheme of the organizational structure of LLC "Project"

Source: developed by the author

LLC "Project" consists of the following divisions:

- Administrative team - represented by the director, financial manager;
- Creative team - designers, constructors;
- Project team - project managers, communicate with clients;
- Salon office workers - communicates with potential customers, acquaint customers with the services and capabilities of the company, office managers;
- The team of assemblers and installers - a team working in the shop and on site to install and install products in the "customer's territory".

The firm is an integral system, where there is a distribution of functions, a structure of leadership and management. Each of us develops and grows professionally. This is noticeable in the presence of key customers, the turnover of each team and the complexity of the objects that are "runed" by managers.

Our company operates The Wheel (or Star) Net (fig. 2.3), which is typical for military organizations, medical institutions. A clear hierarchy, a clear vision of the “ideological mastermind” of how all processes in the company should be built, starting with how the office looks like - the face of the company, ending with what, how and when should be said to the customer / buyer. In general, this is due to a number of objective reasons. I will consider them below.

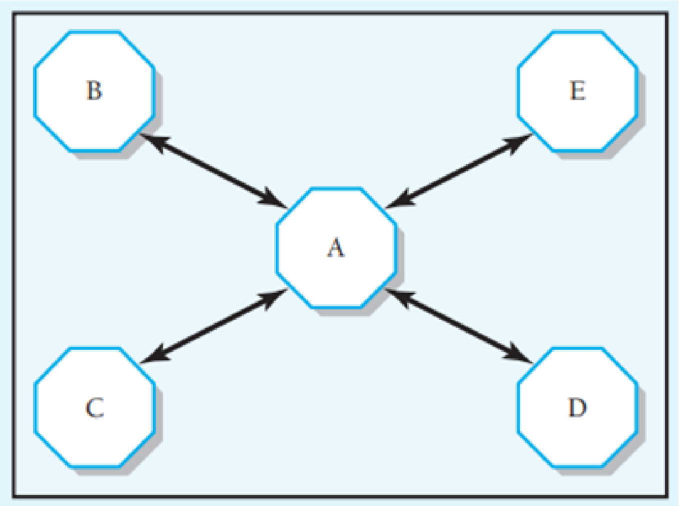

Figure 2.3 - The Wheel (or Star) Net scheme [50]

The company is creative by its nature and operate in the sphere of emotions - and, it would seem, it should be the very place to “create” and “to be weird”, the very place for an informal atmosphere and ease. But in practice, this is far from the case. All this informality is forced to obey a strict hierarchy of Customer-Designer, Designer - Project Managers, Project Manager - Technical Designer, suppliers, etc. It's all about the ultimate responsibility.

The owner of the company is constantly tries to optimize and minimize unnecessary communication within each team, to find a balance point between quality, opportunities and economic benefits. This is due to the duration of the projects (sometimes several years), the change of employees during the project, additional orders of the same products (for example, for a hotel released 5 years ago), the isolation of the direct manufacturer from the Customer.

To analyze the economic performance of the enterprise, consider the main reports of the enterprise: cash-flow, PNL and balance-sheet in the table 2.1, the table 2.2 and the table 2.3.

Table 2.1 – P&L statement of LLC «Project» for 2019-2021

P&L STATEMENT			
	2019	**2020**	**2021**
Sales Revenue			
Individually designed cabinet furniture	3 900 000	4 650 000	5 850 000
Interior design	350 000	600 000	750 000
Wood, metal and concrete products	150 000	100 000	220 000
Furniture drawings	100 000	150 000	180 000
Total Sales Revenue	4 500 000	5 500 000	7 000 000
Cost of Sales			
Individually designed cabinet furniture	2 340 000	2 790 000	3 802 500
Interior design	210 000	372 000	487 500
Wood, metal and concrete products	82 500	55 000	143 000
Furniture drawings	55 000	82 500	99 000
Total Cost of Sales	2 687 500	3 299 500	4 532 000
Gross Profit	1 812 500	2 200 500	2 468 000

Continuation of Table 2.1

P&L STATEMENT			
	2019	**2020**	**2021**
Operating Expenses			
Sales and Marketing	90 625	110 025	123 400
Advertising	35 000	40 000	50 000
Direct marketing	50 000	45 000	70 000
Total Sales and Marketing Expenses	175 625	195 025	243 400
Total R&D Expenses	50 000	60 000	80 000
General and Administrative expenses			
Wages and salaries	420 000	450 000	525 000
Outside services	30 000	35 000	25 000
Bonuses for staff	80 000	100 000	120 000
Rent	343 200	369 600	358 800
Telephone	63 000	63 000	72 000
Utilities	50 000	100 000	80 000
Depreciation	80 000	80 000	80 000
Repairs and maintenance	150 000	180 000	195 000
Other expenses	20 000	33 000	45 000
Total General and Administrative Expenses	1 076 200	1 250 600	1 340 800
Total Operating Expenses	1 301 825	1 505 625	1 664 200
Income from Operations	510 675	694 875	803 800
Taxes			
Income taxes	225 000	275 000	350 000
Payroll taxes	81 900	87 750	102 375
Total Taxes	306 900	362 750	452 375
Net Profit	203 775	332 125	351 425

Source: developed by the author on the base of [51]

Analyzing this report, we can notice that the company's annual turnover is growing, but the cost of production is increasing, fixed costs are growing. The cost of remuneration to employees also increases, despite the invariability of their number. This was caused by inflation, rising prices for materials, the cost of work and products of contractors and suppliers. The productivity of employees was also analyzed and it was found that a given number of employees (without changing the team) cannot provide a bigger turnover for the company with the same marketing strategy approach.

Table 2.2 – Cash-flow statement of LLC «Project» for 2019-2021

	2019	2020	2021
Sales income	4 500 000	5 500 000	7 000 000
Total Cost of Sales	2 687 500	3 299 500	4 532 000
Fixed costs	1 419 400	1 340 200	1 699 600
Employee salaries and social payments	501 900	647 775	627 375
Taxes	225 000	275 000	350 000
Cash flows from operating activities	**-108 800**	**212 525**	**141 025**
Acquisition of fixed assets	-50 000	-100 000	-80 000
Other investments	-50 000	-20 000	-50 000
Cash flows from investing activities	**-100 000**	**-120 000**	**-130 000**
Receipts of borrowed funds	0	0	0
Return of loans	0	0	0
Payment of dividends	0	0	0
Cash flows from financial activities	0	0	0
Total Cash-flow	-208 800	92 525	11 025
Cash at the beginning	300 000	91 200	183 725
Cash at the end of the period	91 200	183 725	194 750

Source: developed by the author on the base of [51]

Table 2.3 – Balance-sheet statement of LLC «Project» for 2021

Assets		**Liabilities**	
Current assets		Current liabilities	
Cash and Cash equivalents	194 750	Short-term loans	0
Short-term investments	20 000	Accounts payable	849 750
Accounts receivable	700 000	Accrued compensation and benefits	150 000
Inventory	80 000	Income taxes payable	350 000
Supplies	50 000	Other accrued liabilities	80 000
Prepaid expenses	45 000	Differed revenues	190 000
Total current assets	1 089 750	Total Current liabilities	1 619 750
Investments	80 000	Long-term liabilities	
Property, plant, equipment		Notes payable	0
Buildings	672 000	Differed income taxes	300 000
Equipment	150 000	Total long-term liabilities	0
Less: accumulated depreciation	50 000	**Total liabilities**	1 619 750
Property, plant, equipment	772 000		
Intangible assets		Equity	
Trade mark	28 000	Retained earnings	500 000
Other intangible assets	150 000	Total equity	
Total Intangible assets	178 000	-	
Other assets	0		
Total Assets	2 119 750	**Total Liabilities and Equity**	2 119 750

Source: developed by the author on the base of [51]

Let's look at the Table 2.4. where enterprise' resources and capabilities analysis was done.

Table 2.4 - Resources and capabilities strategic effectiveness analysis

Resource/ Competence	Important	Unique	Durable	Transferable	Has high substantive quality	Strategic effectiveness of resource (average)
Material	5	2	3	3	4	3,4
Financial	5	3	2	3	3	3,2
Human	5	5	4	4	4	4,4
Technology	4	4	3	4	4	3,8
Logistics	3	2	2	2	3	2,4
Brand	5	4	4	4	5	4,4
Experience	5	5	4	4	4	4,4

Source: developed by author

So, we see that the existing marketing strategy of enterprise is based on Human resources, Brand and Experience. It's necessary to say these capabilities and resources are really important and form core competences of enterprise.

Using Marketing mix approach let's analyze core points of the business, the fig. 2.4.:

Figure 2.4 – Marketing mix of LLC «Project»

Source: developed by the author

Product – based on the company's main goals, LLC «Project» provides high-level quality service to customers: manufacturing of individual cabinet furniture. Two main components are - design and production. The target audience of company marketing activities are individual apartments, trading companies, offices, hotels. On the fig. 2.5 BCG-matrix of LLC «Project» is shown:

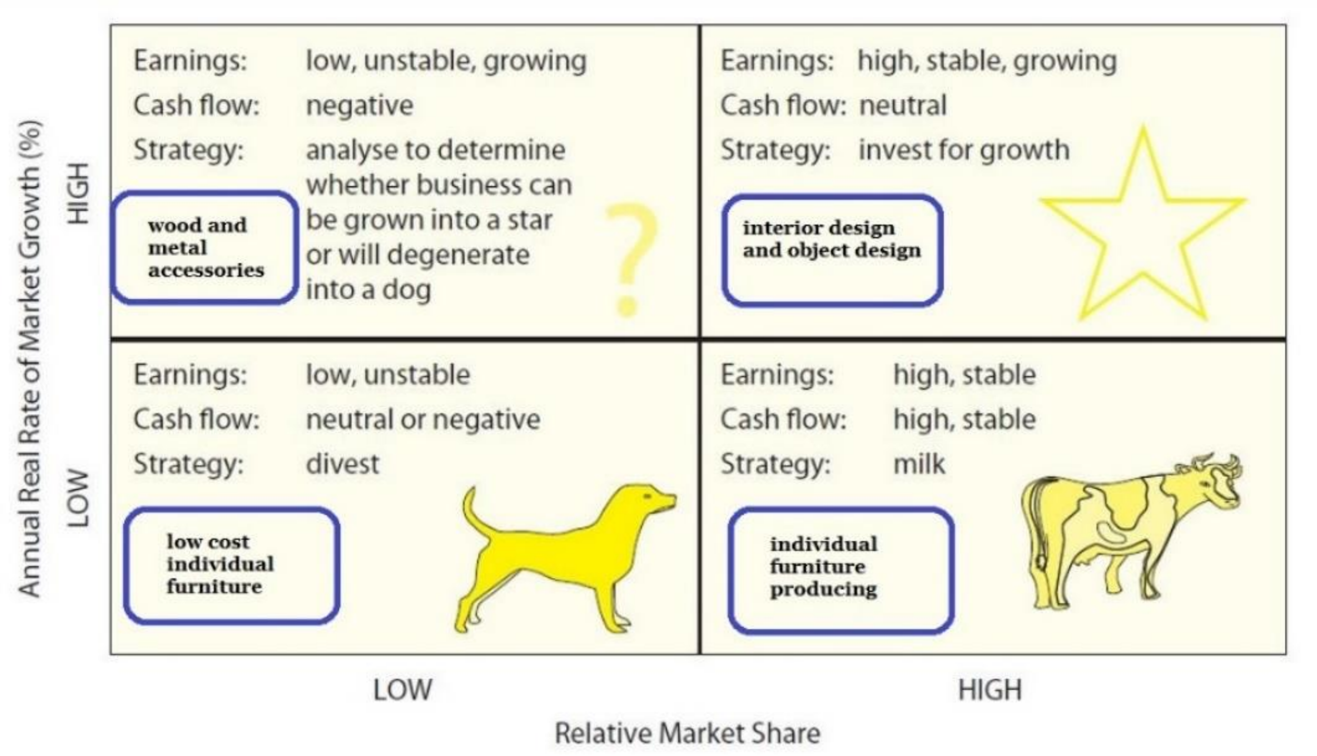

Figure 2.5 – BCG of LLC «Project»

Source: developed by the author

Place – the largest share of the company's orders are Kyiv and Kyiv region. 5% of customers are in Ukraine outside the Kyiv region, 2% of the company's turnover over the past 3 years was for export. The company has a salon-studio, where potential customers can get acquainted with the company's products, with the team, that will work on the project – fig. 2.6.

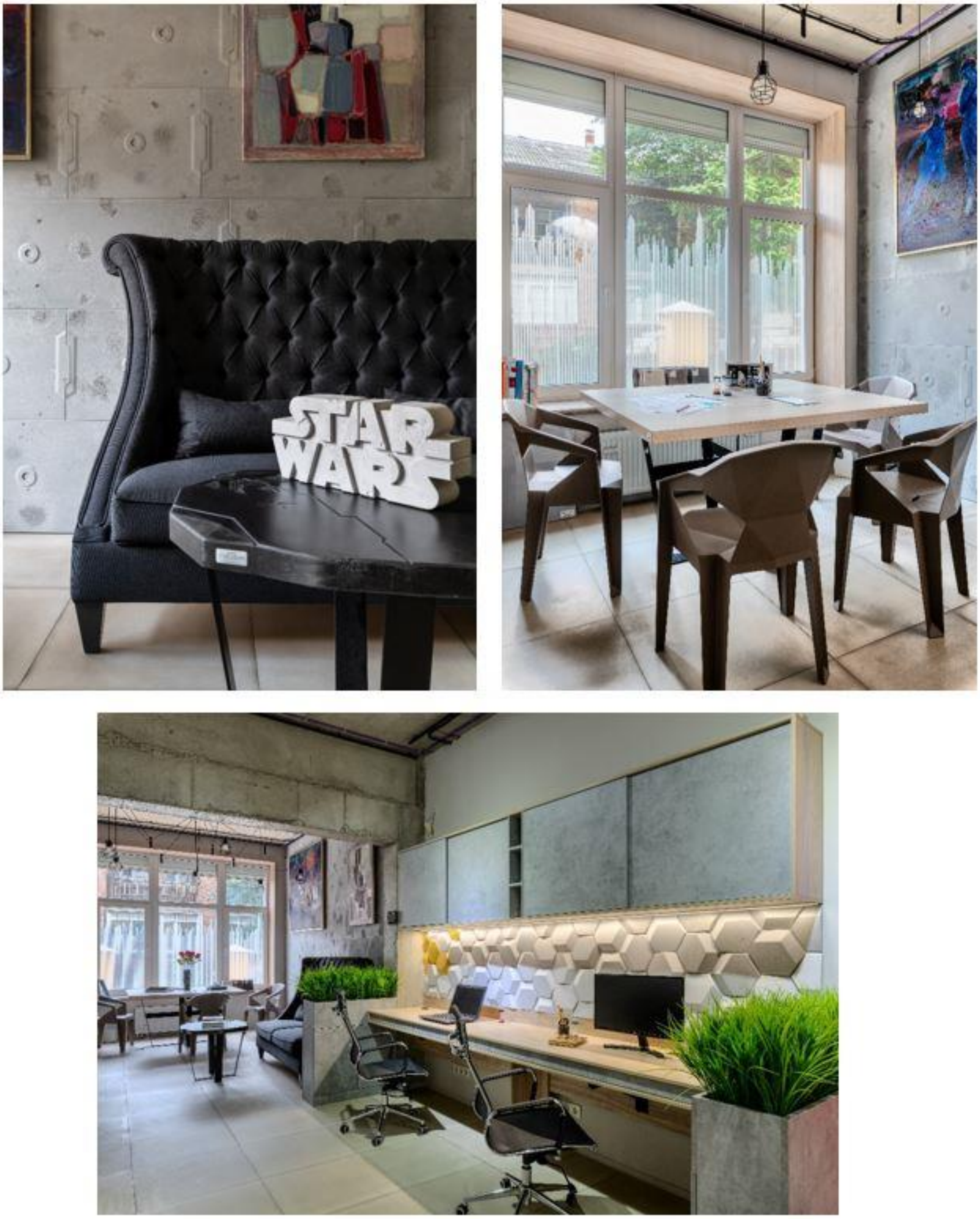

Figure 2.6 – Salon of LLC "Project" [52]

Price – the company offers its products and services to the population in the middle-price segment with the transition to the high-price segment, a smaller share of orders are legal entities with orders in the middle-price segment.

The price system is built on the needs of that part of the market, where the client wats to get a high-quality standard of the service and product.

Promotion – the company's existing marketing activities are intended to increase its portfolio, establish and maintain a positive impression and relationships with customers, promote its brand through printing in specialized publications of interior design, subject design, architecture etc. The example is shown in fig. 2.7.

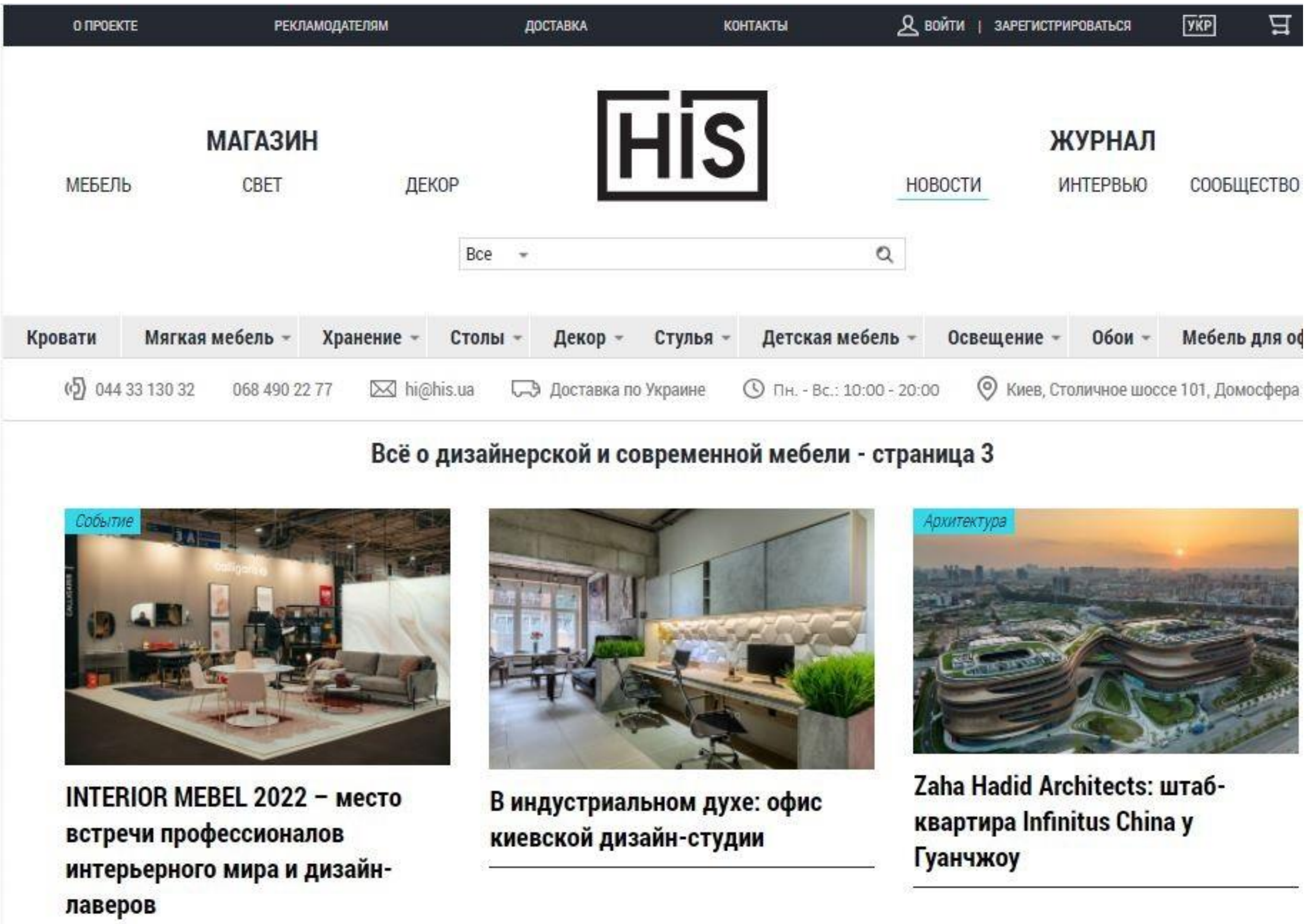

Figure 2.7 - Printed articles in specialized publications [53]

People - one of the most important components of the enterprise are people. The company has more than 25 reliable suppliers, more than 20 companies in cooperation in various fields of design and production of components for furniture and interior accessories. We constantly rise professional experience and skills of the staff by different courses and master classes, which our suppliers and designers held: «RIM» LLC, «Viyar» LLC, «Decorattoria» LLC, «Mebelnue Technologyy» (BLUM-accessories and fittings), «Egger», «Cleaf», «Pfleiderer» etc.

We conducted an analysis of internal and external strategic factors of enterprise development. Below, in the Table 2.5 there are main factors formed on the SWOT analysis approach:

Table 2.5 - SWOT-analysis of LLC «Project»

internal strategic factors	
Strengths	**Weaknesses**
Strong brand portfolio	New technologies need volume of orders, which ready to use such technology
High performance	The growing company needs change its level of market and customers
Successful international projects	The company should implement high-cost it-system to keep quality and speed of service
High level of customer satisfaction	The new entrants in segment
Reliable suppliers	The market become more interesting for foreigners with huge investments - new competitors
Strong cooperation with unique Professionals	Big investments in new employees
Always use advances technology and ideas	Emigration of skilled specialists to neighboring countries
Availability of high-quality components	Insufficient funding and high the cost of borrowing from financial institutions
	High logistics costs
external strategic factors	
Opportunities	**Threats**
Opportunity to cooperate	Possible low quality in case of multiplying
New technologies give an opportunity to differ customers and provide new and more targeting price strategy	The end of building boom in Ukraine
Growing market	The unpredictable government policy
Opportunity to use government programs	Dependence from "significant" Suppliers and their price strategy
Opportunity to find investors	Uneven cash flow
In the domestic market the replacement process is accelerated old furniture	Increasing competition from the outside Asian manufacturers
Growth in the construction sector	Currency fluctuations

Source: developed by the author

2.2 Internal and external environment analysis of the enterprise

Based on research conducted by CSIL [54], we can say that approximately 50% of Ukrainian furniture production is informal.

Approximately 70-80% of demand in the middle price segment is met by "gray" producers. Many manufacturers are "gray" in the sense that they do not officially show their full sales. 100% of "black" companies are not so many.

Until 2009, there was growth in this industry, after which production fell. Growth later resumed, but was negatively affected by the aftermath of 2014 and the closure of the Russian market, which was the main market for Ukrainian furniture manufacturers. Thus, many companies have switched to the West, or to their own market - thus further increasing competition in the Ukrainian market.

For the development of exports of furniture industry products to European countries, the state supported the activities of such Ukrainian and international funds and organizations, fig 2.8:

1. Western NIS Enterprise Fund (WNISEF) - The first regional direct investment fund in Ukraine and Moldova – created in 2015 [55];
2. EU4Business initiative supported by the EBRD [56];
3. USAID – since 1991, but has gained the most activity since 2015 [57]
4. Ukraine investment & trade facilitation center (ITFC) - Created in 2014 as a multi-stakeholder initiative [58];
5. Export promotion office Ukraine [59];
6. Export evolution Ukraine [60].

Figure 2.8 – Ukrainian and international funds and organizations, created to help enterprises to develop their export directions of business

Source: developed by the author

On the fig. 2.9 you can see the volume of the furniture production market in Ukraine for 2018-2021. We have built a trend line that reflects the significant demand for products in this industry. Although it should be noted that the furniture production shown in the diagram above is estimated in nominal terms, taking into account price changes and only official numbers.

In recent years, Ukraine has experienced high inflation and devaluation of the national currency. This has led to higher prices for imported components. As a result, furniture prices increased significantly, which affected statistics. Also, it is necessary to say that in 2021 28% of Ukrainian furniture was exported.

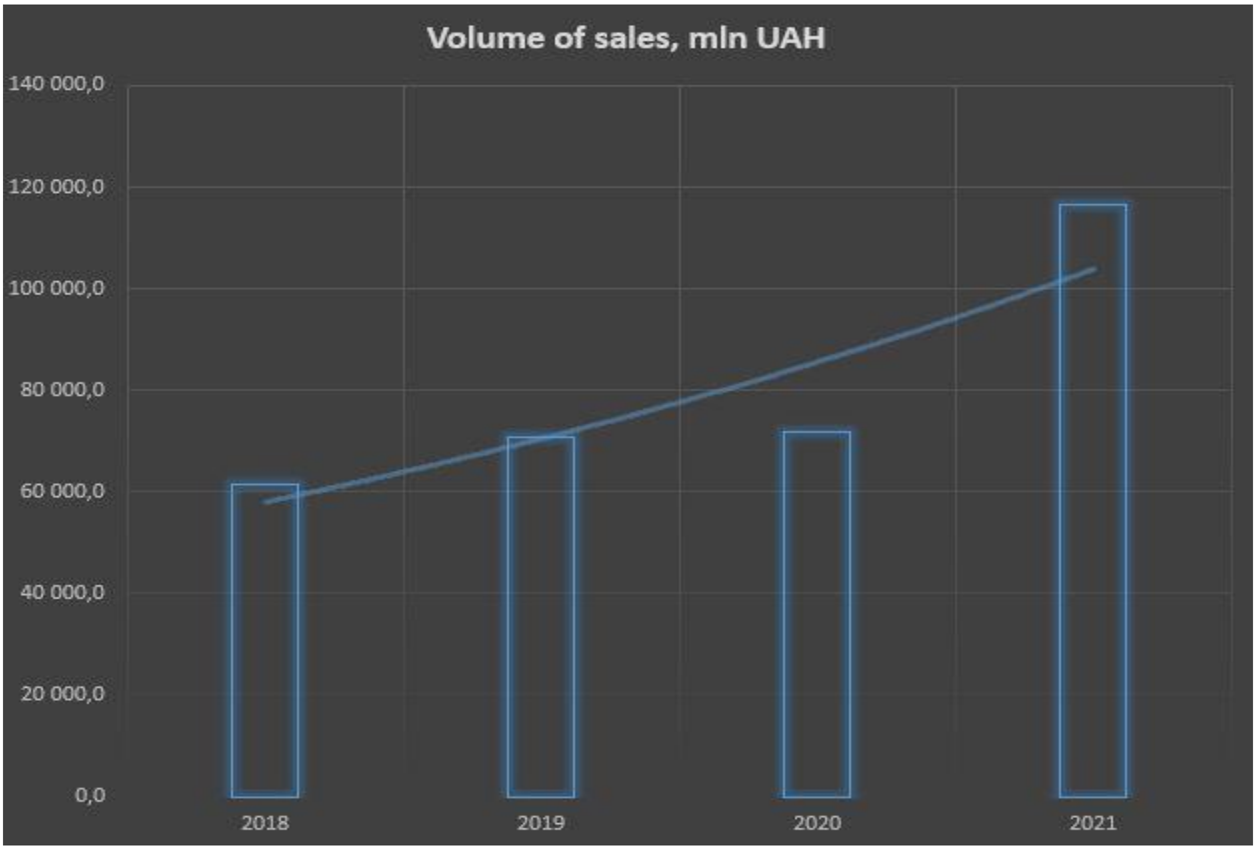

Figure 2.9 – Volume of sales of the furniture market of Ukraine in 2018-2021, mln UAH

Source: developed by the author on the basis of [61]

In the Fig. 2.10. we can see the structure of furniture market of Ukraine, so kitchen furniture plus office furniture plus other furniture, produced and sold in Ukraine on 2021 is almost 79% of the total furniture market, which is approximately 92 billion of UAH or 3 billion of USD.

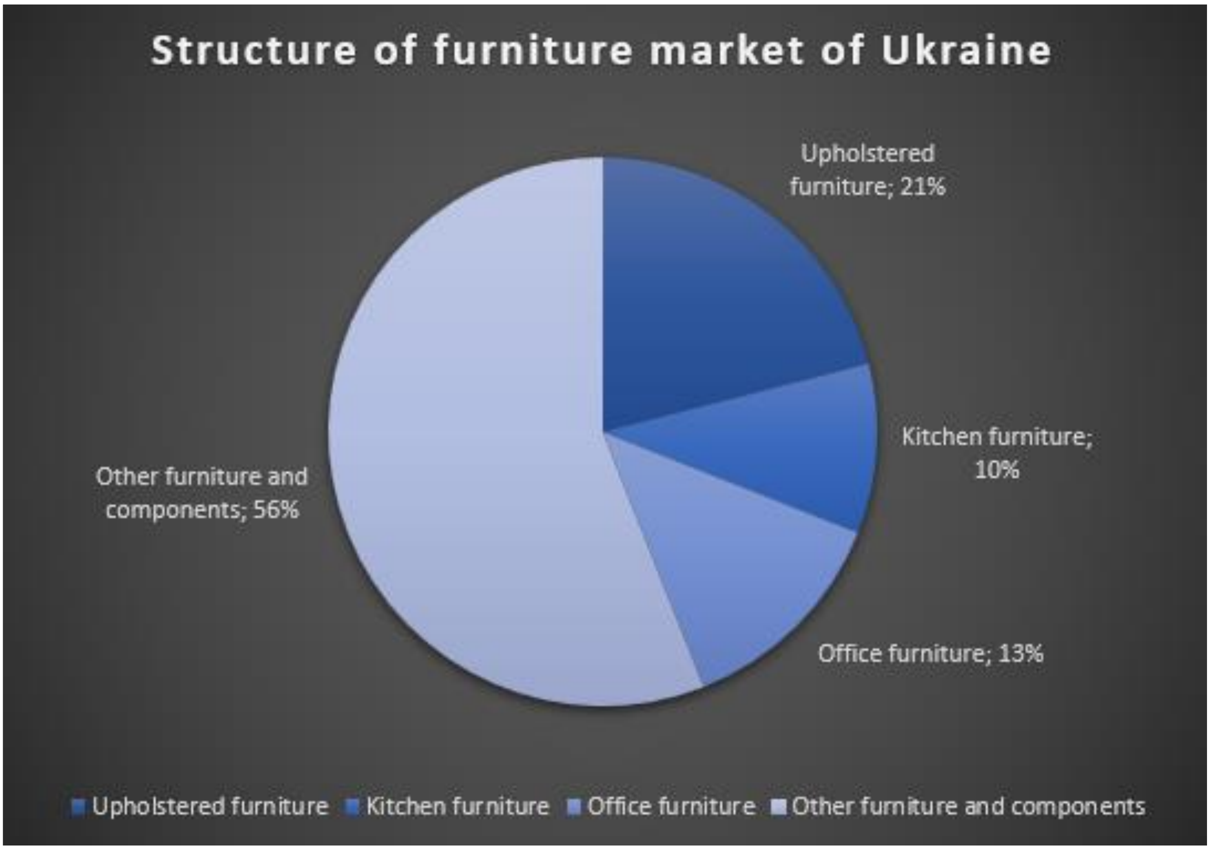

Figure 2.10 – The structure of furniture market of Ukraine in 2021, in terms of percentage of money from sales

Source: developed by the author on the basis of [61]

We did try to understand all the factors influencing the furniture market in Ukraine. We did analyze the internal and external environment of the enterprise. We've done it with the help of PESTLE approach. Results are shown in the table. 2.6:

Table 2.6 - PESTLE-analysis of macro factors of LLC «Project»

Political (Government policy)	Global pressure of international regulations
	New barriers because of COVID were created
	Rapidly changing of taxation system
	Complicated political relations with neighboring states
Environmental	Higher ecological standards appeared
	Environmental norms and regulations
	Release of pharma aldehydes during production
	New norms for people with allergy

Continuation of Table 2.6

Socio-cultural (consumer behavior, preferences)	Access to new ideas and designs through social net (Pinterest, Houzz, Instagram)
	Gender roles
	Educational level
	Leisure interests
Technological	Different technological and eco documentation
	Intellectual property rights and patents protection
	Lower cost of production
	Automatization
Economic	Different support programs of small business (grants)
	Liberalization of export
	Development of dealer's net
Legal	Legal protection of trade mark
	Legal protection of work-force
	Low level of education in this area
	Data-protection law

Source: developed by the author

In Ukrainian furniture industry there is a significant number of micro-enterprises (up to 10 employees) – almost 5000 of firms and individuals, about 300 small and medium-sized companies (up to 250 employees) and a small number of large companies (more than 250 employees). Each of these groups has its own characteristics organization of production and product range. These features are related to the size of enterprises.

Companies with 4-5 employees – the first part of micro-enterprises. Such companies do not engage significantly finishing and working on small areas. They usually buy components and assemble them into the final product they sell directly to consumers. Their products have a simple design and low quality. They mostly use hand tools.

The number of very small producers is growing since many poor households are looking for additional sources of income.

Companies with 6-10 employees and may have production area of 100-600 square meters. This group plays a more important role in Ukrainian furniture industry than the previous one. Companies of this group can be registered in the form limited liability companies or private enterprises. The availability of equipment in them is insignificant.

Such companies are extremely flexible and usually produce furniture of medium and medium-high quality, and also custom furniture. They can also design some products (with the involvement of freelance designers). Their market is these direct sales, including some small custom projects.

Small enterprises (10-50 employees): this group includes a large number of companies, but they are still smaller than in previous group. This category is the next step after the micro-entrepreneurial model with the highest degree formalization. Like the previous one, this group focuses on our local market with which the respective companies work or directly, or through architects and design studios. Custom projects here are more complex and may cost more. Industrialization of production in this category is on more advanced stage, although production remains the same non-serial. The design is more complex, companies often have designers in state. Some companies situationally work in export markets, mainly in small contract projects.

Medium enterprises (50-250 employees): these companies also account for a large share of Ukrainian production. The production process is industrialized, sometimes serial production. Newly purchased CNC equipment is used, however old equipment is still more. The quality of production corresponds general level in the market. Product design is not yet advanced, though sometimes there are more structured forms of cooperation with designers (who develop one or two collections a year). Companies focus mainly on the domestic market, but some have a share turnover is accounted for by export sales given their situational presence in foreign markets.

Big companies – there are very few companies with more than 250 employees (officially) not more than 30-40). Some of them employ 1,000 or more people. IN production of industrial type uses CNC equipment and old non-automated equipment. In general, the technological level is high, although sometimes not used with sufficient efficiency.

Focus on production volumes. Mostly these companies are engaged production of unbranded products or products under their own trademarks of customers, including cheap furniture for retail chains and the mass market. The main products are made of chipboard.

LLC «Project» – is a small enterprise with 14 employees and year turnover about 7 mln UAH, which determines the level of enterprise size on the Ukrainian map, see the fig. 2.11. The company's equipment is insignificant and mainly represented by hand tools and several machines. Today, the company uses the outsourcing capacity of such companies as VIYAR, AGT PLUS, AMF, Thermopal, etc.

Trade mark UVM covers furniture producing of medium and medium-high quality, and also custom furniture. As it was said before, company's teams create interior design and some interior accessories made from wood, metal and concrete.

LLC «Project» focuses on our local market: it has its own direct projects and also constantly works with clients through architects and individual designers.

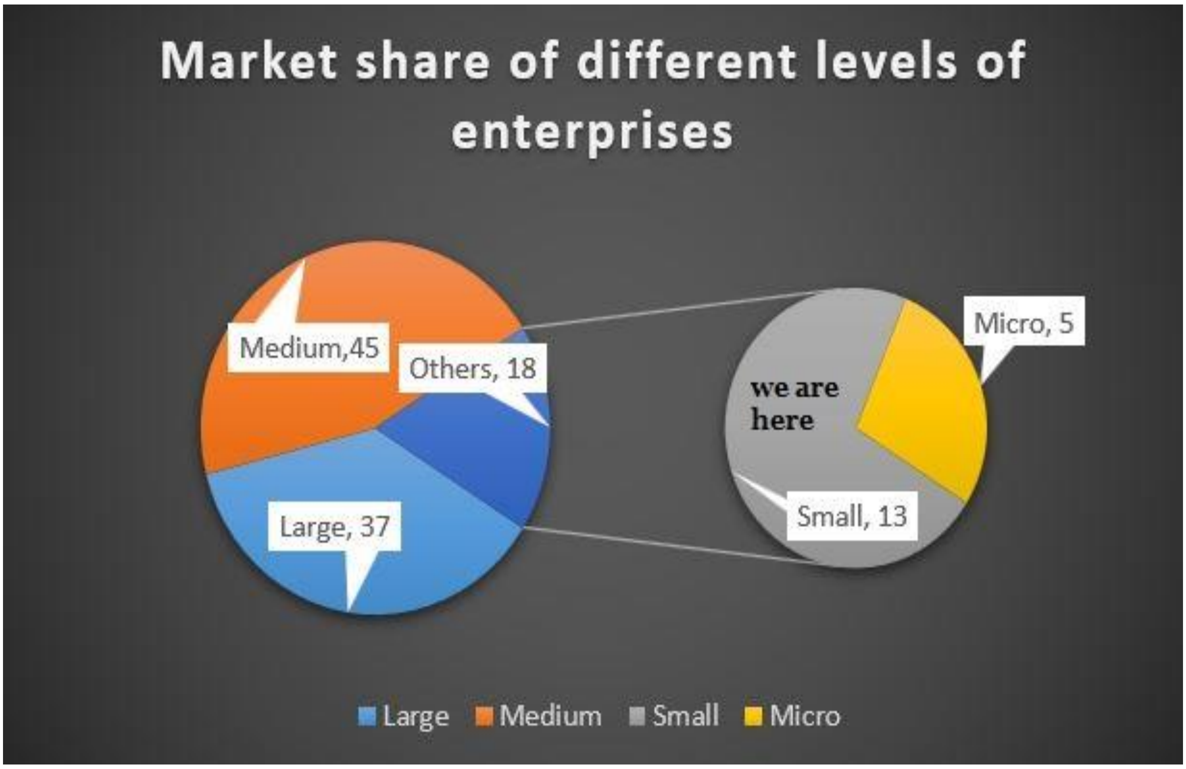

Figure 2.11 - Level of LLC "Project" on the Ukrainian market

source: developed by the author

To understand the place of the LLC "Project" in Ukrainian market, let’s see on the fig. 2.12, where we built general Competitor’s map:

Figure 2.12 - General Competitor’s map for LLC "Project"

Source: developed by the author based on [61]

The main competitors of the LLC "Project" are shown on the fig. 2.13:

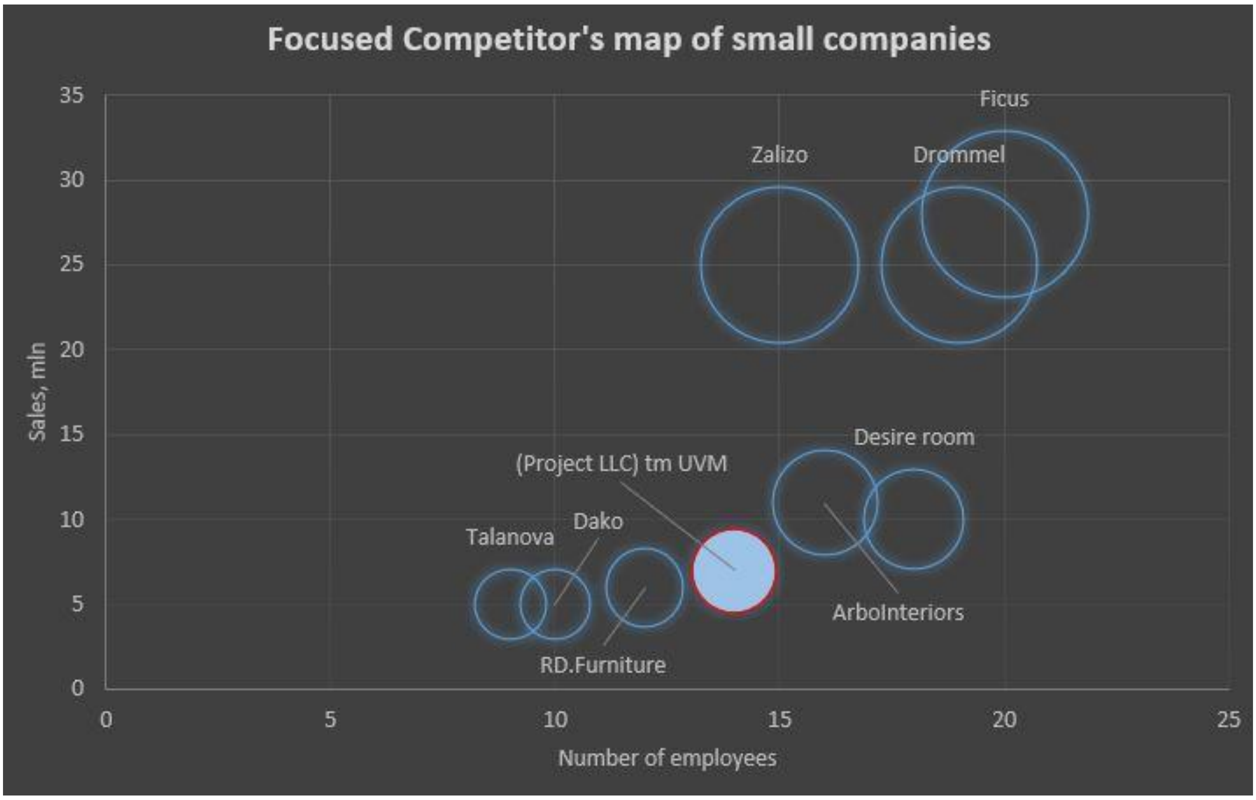

Figure 2.13 - Focused Competitor's map for LLC "Project" (UVM trade mark)

Source: developed by the author on the basis of [61]

Let's identify and compare our competitor's business activity and their marketing activity in the table 2.7:

Table 2.7 - Analysis of focused competitors of LLC «Project»

Companies	Employees	Sales, mln	Market share (focused), %	Main business activity	Marketing activity
Dako	10	5	4	Manufacturing of custom-made furniture	Advertising in social networks, exhibitions in Ukraine
Talanova	9	5	4	Development and manufacturing of furniture	Advertising in social networks, exhibitions in Ukraine
RD. Furniture	12	6	5	Exclusive sophisticated furniture manufacturing	Advertising in social networks, exhibitions in Ukraine, interior design, internal events for designers, architects and constructors

Continuation of Table 2.7

Companies	Employees	Sales, mln	Market share (focused), %	Main business activity	Marketing activity
UVM (Project LLC)	14	7	6	Manufacturing of individual designed furniture and interior accessories	Advertising in social networks, exhibitions in Ukraine, advertising in specialized print media, interior design, events for designers, architects and constructors
Desire room	18	10	8	Production company of complex furnishing	Exhibitions in Ukraine, international exhibitions, advertising in social networks, advertising in specialized print media, internal events for designers
Arbo Interiors	16	11	9	Production company of complex furnishing	Exhibitions in Ukraine, international exhibitions, advertising in social networks, advertising in specialized print media, internal events for designers, competitions in the field of furniture production and interior design
Drommel	19	25	20	Manufacturing of custom-made furniture	Exhibitions including international, advertising in social networks, in specialized print media, internal events for designers, competitions for furniture production and interior design
Zalizo	15	25	20	Development and manufacturing of furniture and interior accessories	Advertising in social networks, exhibitions in Ukraine, advertising in social networks
Ficus	20	28	23	Production company of complex furnishing	Exhibitions including international, advertising in social networks, competitions in the field of furniture production and interior design

Source: developed by the author on the basis of [62]

In the table 2.8 there are some numbers of relative market share of the closest competitors of LLC «Project» for the last 3 years:

Table 2.8 - Analysis of focused competitors of LLC «Project»

Companies	2019 Sales, mln	2020 Sales, mln	2021 Sales, mln	2019 relative market share, %	2020 relative market share, %	2021 relative market share, %
RD. Furniture	5	4,5	6	23%	17%	18%
UVM	4,5	5,5	7	21%	21%	21%
Desire room	4	6	10	19%	23%	29%
Arbo Interiors	8	10	11	37%	38%	32%

Source: developed by the author on the basis of [62]

On the fig.2.14 you can see the graph of relative market share for 4 companies, including LLC «Project» for the last 3 years. We can see that in 2020 there was very tough for Project LLC, because we can't gain more market share, RD. Furniture lost its market share, while new company (established in 2018) Desire room quickly conquered a part of the market. The company Arbo Interiors showed good results in sales, but lost its relative market share in 2021. 2021 was better for UVM-trade mark in numbers of sales, but still relative market share doesn’t seem good enough, though in volume sales the enterprise has increased its turnover for 27%. Partially, these figures reflect a significant increase in the prices of components and materials, but not the quantity and quality of clients and projects served.

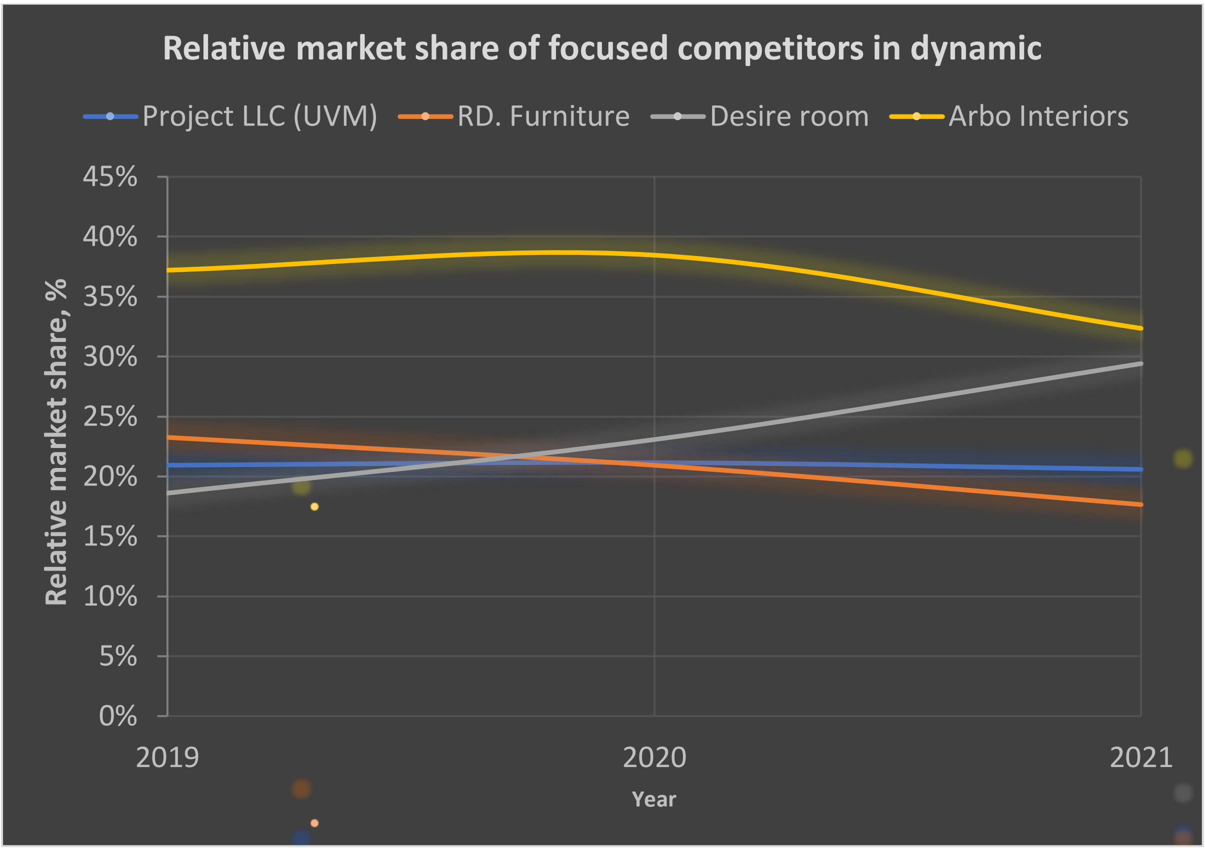

Figure 2.14 – Relative market share of focused competitors in 2019-2021

Source: developed by the author on the basis of [62]

Below in the table 2.9 is given information about the portrait of the customer.

Table 2.9 - Customer portrait of LLC «Project»

Who?		**What?**		**Where?**		**Why?**		**When?**
Apartments / flats		Individual cabinet furniture		Salon-Studio		High-quality of service		Furniture for new apartment is needed
Trade-firms		Interior design		Ukraine		Modern design		Furniture for new shop is needed
Offices		Furniture design		Barcelona		High-level professionals		Furniture for new flat is needed
Hotels		Metal, wood, concrete accessories				Big net of designers and constructors		Furniture for new hotel is needed

Source: developed by the author

Based on previous analysis we can see that the main 5 key success factors of the LLC «Project» are:

- Customer care;
- Reputation and Portfolio;
- Market diversity;
- Advanced design;
- Quality of service and product.

After a thorough analysis of the focus group competitors, we built a polygon of competitiveness criteria for each market player. On fig. 2.15 you can see the results that we were able to get, for a clear understanding of the strengths and weaknesses of each company against the background of other competitors.

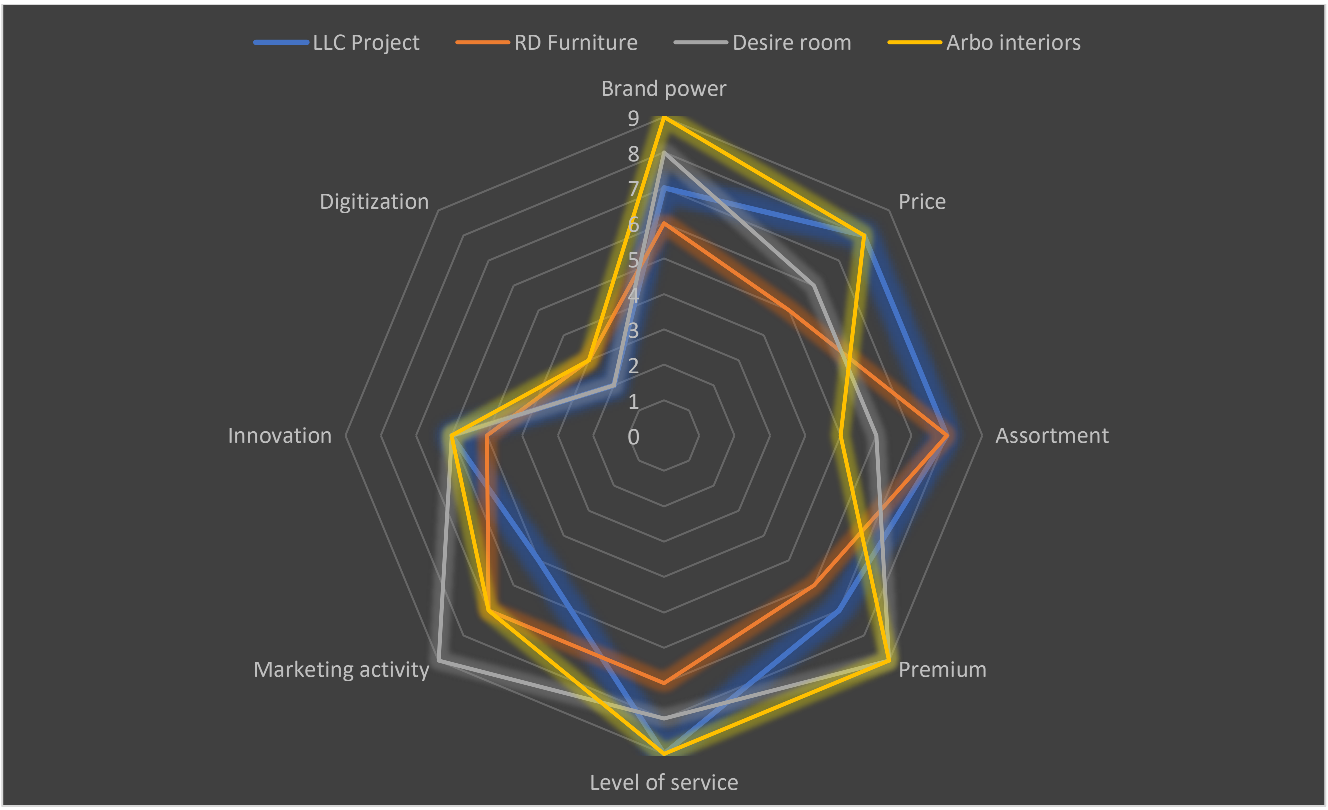

Figure 2.15 – The polygon of competitiveness criteria for «Project» LLC, RD Furniture, Desire room and Arbo interiors

Source: developed by the author

The activity of our company is based on 3 main pillars: price, range and level of service. Unfortunately, as the analysis of the company showed, digitalization, innovation and productive marketing activity are not the strengths of the Project company. And such a criterion as a brand "works" rather thanks to the portfolio and really high-quality service, despite the lack of high-quality marketing.

If we look at the polygon of the firm's competitive performance criteria Desire room, we find that its main vectors are brand development, premium customers, which is satisfied by a good level of service, as well as very active marketing activities.

Consider the leader of our group of competitors - company 3. Its main pillars are brand development (positioning itself not even as a "manufacturer", but as a "workshop"), a premium market plus a high level of service, good marketing activity and a small assortment - focusing on specific service.

Our ideal customer is:

- an apartment - a busy person 30+ or a family with an income above the average level, who need high-quality furniture, individual size, functionality, colors. They need a reliable company of professionals, who will solve a lot of questions, understand and satisfy the diverse needs of several family members in a small number of meetings;

- a legal entity - a business, that needs interior design and custom-designed furniture. The business has a need for furniture of a certain volume and design, which allows us to develop an inexpensive individual high-quality series of furniture for this business.

2.3 Evaluation of the existing marketing strategy of the enterprise

In the table 2.10 there is value proposition canvas of the Project LLC, which describe what are the principles of the company activity, what are the main goods and services of the company and what problems and needs can these products and services close for the customer. It is the basis of the existing marketing strategy of the enterprise.

Table 2.10 – Value proposition of the LLC «Project»

Customer values	Benefit factors
a comprehensive service – everything in one place	a comprehensive service for the design and production of cabinet furniture, interior accessories
beautiful furniture design	well-designed interior solutions
interesting details in interior and furniture, that show customer's style	well-designed constructive solutions
high quality of furniture	high-quality fittings
comfort service	high-quality assembly of furniture
customer time saving	beautiful and modern design
	customer-oriented service
Client tasks	Goods and services:
beautiful and modern furniture design	interior and furniture design
long-term usage of furniture	high quality furniture manufacturing
additional individual interiors accessories	manufacture of interior accessories made of concrete, metal and wood
everything in one place	integrated approach
professionals' consultations on interior solutions, professionals' consultations in the field of furniture, interior accessories	manufacturing of complex products
Problems solving:	Customer's problems
the team of professionals	the need to delve into complex issues related to repair
a comprehensive service for furniture design and production	comfortable and beautiful interior creation
ability of consultations of professionals	the abundance of Internet resources with pictures of furniture that cannot be manufactured or is expensive to manufacture

Continuation of Table 2.10

Problems solving:	Customer’s problems
well-established algorithm for coordinating issues with the client of his needs and capabilities	lack of knowledge of the market of furniture materials, accessories and fittings
a network of reliable suppliers of materials and accessories for manufacturing process	lack of understanding of actions sequence during the apartment renovation
well-established approval and production process	lack of time

Source: developed by the author

Positioning:

A small team of professionals who can take on many issues related to the development of furniture design and construction and offer a busy client a quality service for the production of furniture and interior solutions that reflect his individual style, taste and love for quality things.

Customers:

- families with children;
- people 30+ who have the opportunity to purchase furniture made on individual order, with fittings of medium and high quality and price segment, understand the difference between the mass market and an individual approach, value their time and comfort, are ready to pay for quality service;
- trade companies and shops, which need special equipment and furniture for their showrooms;
- companies, which need individual interior and furniture design for their offices;
- hotels, which need special cabinet furniture.

Goals:

- Rebrand the company's website, which will allow promoting the company's brand on social networks, conducting a quick initial acquaintance of the client

with the company's services and key figures (designers, constructors, managers).
- To increase turnover on 20% in 2021-2023.

Marketing activity of LLC Project:

- Advertising in social networks (Facebook, Instagram);
- exhibitions in Ukraine (Interior mebel, KIFF);
- visiting international exhibitions, as Salon Internazionale Del Mobile Milano;
- advertising in specialized print and online media (D-journal, HIS);
- internal events for designers, architects and constructors;
- external events for furniture designers and manufacturers (held by RIM, FunderMax etc.).

Our unique offer on the market:

Lies in the fact that for an affordable price we offer a wide range of services from professionals with a high quality of service, that is, a truly client-oriented approach. Furniture of individual production is designed, as a rule, at the stage of repair, and the permissible errors in the future product are, as a rule, only a few millimeters. Our managers have knowledge and skills in related industries such as design, architecture, construction. Thus, the company's employees find a common language with other participants in the work at the customer's site. They can join forces with other contractors, coordinate the sequence of work, synchronize them.

Our unique competitive advantage is – UVM (Project LLC) is the most comfortable company which can make a really complex furniture. Why? – we have a very client-oriented approach and high level of service.

In the table 2.11 and table 2.12 there are calculations of weighted marks and coefficients of industry attractiveness and product strength of LLC «Project»:

Table 2.11 - Calculations of industry attractiveness of LLC «Project» for McKinsey-General Electric matrix

McKinsey-General Electric matrix calculations									
Industry attractiveness									
Criteria	**Weight**	**Estimation (1-10)**				**Weighted mark**			
		indiv furniture producing	**Low cost indiv furniture**	**Interior design**	**Accessories**	**indiv furniture producing**	**Low cost indiv furniture**	**Interior design**	**Accessories**
Market demand	0,2	4	4	8	7	0,8	0,8	1,6	1,4
Market growth	0,2	5	6	9	8	1	1,2	1,8	1,6
Profit-ty	0,15	2	2	7	8	0,3	0,3	1,05	1,2
Competition	0,2	2	1	7	6	0,4	0,2	1,4	1,2
Technology	0,15	2	1	7	6	0,3	0,15	1,05	0,9
Flexib-y	0,1	2	2	6	7	0,2	0,2	0,6	0,7
Final marks						**3**	**2,85**	**7,5**	**7**

Source: developed by the author

Table 2.12 - Calculations of product strength of LLC «Project» for McKinsey-General Electric matrix

McKinsey-General Electric matrix calculations									
Product strength									
Criteria	**Weight**	**Estimation (1-10)**				**Weighted mark**			
		indiv furniture producing	**Low cost indiv furniture**	**Interior design**	**Accessories**	**indiv furniture producing**	**Low cost indiv furniture**	**Interior design**	**Accessories**
Market share	0,2	4	1	3	2	0,8	0,2	0,6	0,4
Product Quality	0,15	9	5	8	5	1,35	0,75	1,2	0,75
Rep-tion	0,15	9	3	8	4	1,35	0,45	1,2	0,6
Distr-tion	0,15	5	3	3	2	0,75	0,45	0,45	0,3
Product capacity	0,15	8	2	5	2	1,2	0,3	0,75	0,3
Cost	0,1	8	2	6	3	0,8	0,2	0,6	0,3
Man-nt	0,1	8	3	5	2	0,8	0,3	0,5	0,2
Final marks						**7,05**	**2,65**	**5,3**	**2,85**

Source: developed by the author

In the Table 2.13 there are results of McKinsey-General Electric matrix that we've calculated: as we can see, the service of individual furniture producing – is the main business activity of the company and this activity generate the biggest part of cash flow for the company. The second attractive and important strategic business activity – is interior design, but it needs to enhance competitive advantage. It seems to me the enterprise should take part in different competitions to build trustable name in interior design sphere, so the prices for this service could be raised. Wood and metal accessories production – is very attractive business activity, but the company cannot provide this service on the high level as there are no stable orders, so the company cannot keep professional stuff on the regular basis. Low-cost individual furniture manufacturing strategic activity – is no more profitable for the company, as it has no competitive advantage. First problem is higher price then competitors have and the second is too deep approach of the team instead of the speed, which customer need.

Table 2.13 - Industry attractiveness and strength of a product analysis of LLC «Project»

Industry attractiveness	High			wood and metal accessories Strategy: increase production volume or divest
	Medium	Individual furniture producing Strategy: to generate cash flow	interior design Strategy: enhance competitive advantages	
	Low			low-cost Individual furniture Strategy: to wind up business
		High	Medium	Low
	Strength of a product			

Source: developed by the author

The company follows the strategy of vertical integration strategy. The company pursues a direction that is expressed in the growth of the company by strengthening control over the structures located between the company and the end consumer.

The choice of a furniture contractor who does not conduct an active advertising campaign is usually carried out due to good recommendations, the ability to evaluate a quality portfolio, the presence of a showroom or salon, where the consumer can understand who and what he will deal with, and whom he will entrust with the implementation of his project. In our case, we decided that it would be more productive to have in-house designers and architects. Therefore, the company began to expand its team: be able to be closer to its potential customer.

The goal of vertical integration growth is strengthening the competitiveness of the company by establishing control over strategically important links in the chain of production and marketing of products.

Also, the company partially uses a reverse vertical integration strategy that aims to grow the firm by accounting for control over suppliers and contractors. For example, we began to produce separate additional pieces of furniture from solid wood, metal and concrete.

Gap points of existing marketing strategy of LLC Project are:

- Digitalization, which implementation needs investments, is crucial to speed service, increase volume of turnover and become recognized;
- Uniqueness and differentiation – are crucial to make a good brand name and increase price of the company’s service and goods;
- High complexity of the service;
- High investments in professional stuff;
- Dispersion of company resources;
- Difficulty and complex process of scaling and automation.

The firm's existing strategic directions and other possible marketing strategies are provided in the table 2.14 The situation on the market of our country has changed significantly since 2014 and the strategic activities of the company require changes. We are talking now not only about increasing profits, but also about the chance to stay on the market at all. Competition is growing, more and more small teams and garage workers are trying to earn some money and significantly underestimate the cost of human labor.

Thus, it is increasingly difficult for a small company to justify the cost of its services provided while it is also impossible to obtain large wholesale prices from suppliers.

Table 2.14 - Industry attractiveness and strength of a product analysis of LLC «Project»

Strength-Opportunities strategy	**Strength-Threats strategy**
The brilliant starting hotels-portfolio can be extremely useful to expend it's work with HoReCa market	Enter new international market
Create it's unique universal product	Activities are focused on improving the staff quality and on keeping this staff
Government support and first successful international project could help to scale the business	To become bigger player on the market to use all benefits of significant buyer for suppliers and get better conditions
Weakness-Opportunities strategy	**Weakness-Threats strategy**
Enter new market-niche	diversification firm's sales market
Investment into it-technology support can help to multiply the flow of customers	diversification firm's supply market
Increase the part of design service, drawings	To work on to open percentage of the project estimate

Source: developed by the author

CHAPTER 3

DEVELOPMENT AND IMPLEMENTATION OF THE MARKETING STRATEGY OF "PROJECT" LLC UNDER CRISIS CONDITIONS

3.1 Evaluation and comparison of alternative marketing strategies of the enterprise and their risk-analysis

The shortcomings of the existing marketing strategy discovered during the analysis of the activities of the enterprise «Project» LLC indicate insufficient attention of the company's management to the vector of market development and adaptation to crisis conditions.

This negatively affects the system of development and management of the company, the development of the staff, the motivation and loyalty of employees and customers to the company. This, in turn, can begin to negatively affect the quality of services. This means that the UVM brand and its positioning in the furniture services market may suffer.

Consequently, the company's management must take measures aimed at improving or changing the marketing strategy of the enterprise, as well as its main components. This is a mandatory criterion for strengthening competitive positions in the market of furniture production and services. Otherwise, the image of "Project" LLC may deteriorate, and customers will give preference to other furniture manufacturers, despite the professional team of the company.

The management of the company should be aware of the importance of the relevance of the marketing strategy as an important condition for the development and prosperity of the enterprise.

In order to survive and develop the enterprise, we have proposed 2 updated marketing strategies for the development of the company "Project" LLC and specific measures for their implementation.

As we have seen from our SWOT-analysis, the best Strength-Opportunities strategies are:

1. Concentration strategy - work with HoReCa market;
2. Price leadership strategy – by creating unique universal product.

Let’s look deeply at all the pros and cons of the proposed marketing strategies.

The first marketing strategy, the concentration strategy, or niche strategy, may take place, when a business focuses on a specific group of clients, a specific product. In our case, it will allow us to concentrate (rather than diversify) our efforts.

Our sub-strategy – is market development, which means selling our existing products in specific market – HoReCa. That is, we segmented the market, selected a specific client - the HoReCa business, studied their needs, specifics of their development during crisis conditions. This will help narrow our client profile, develop more productive marketing activities and increase company turnover.

Our second marketing strategy is based primarily on increasing a stable cash flow and as small number of people as possible should generate this flow.

By developing our product lines, we can make them as adaptable as possible in size, beautiful and of high quality, using high-quality or middle-quality fittings.

The significantly reduced price of our products will compensate for the lack of comfort and extra value for the client. It will be interesting to young families or families for whom the price and style – are the most important and desirable criteria, and their time and some self-work – are not so strange and acceptable.

Reducing the range of our products will allow us to more carefully and efficiently plan our purchases of accessories, chipboard materials, wood, metal, paints etc.

Let's look closer at potential market of each marketing strategy.

Our first marketing strategy is based on HoReCa niche. Our clients could be different chain of restaurants and food establishments. In Kyiv there are:

- Chain of restaurants "Kozyrna Karta";
- Chain Tarantino Family (30 restaurants and cafes [63]);
- Pesto Café;
- La Famiglia;
- Salateira (15 restaurants) etc.

There are 477 chain restaurants only in Kiev. Managers open new restaurants, update the bored interior in existing establishments, so this process is continuous.

The market of cafes and confectioneries in Kiev was analyzed by Pro-Consulting in March 2020. Marketing research of the market made it possible to determine its main indicators, to identify the most significant factors of influence and the development trends generated by them in the business area under consideration.

In 2018, the number of eating out establishments in Ukraine increased by a record 4.8% over the past couple of years, and in 2019 the positive trend continued [64]. At the same time, the indicator of saturation of the public catering market of the capital is still significantly inferior to the average European one. So, for one seat in a public catering establishment (fast food, cafe, bar, restaurant, etc.) in Kiev there are about 30 inhabitants, in Europe - 8 inhabitants. This indicates significant prospects for the development of the industry. The market of public catering establishments in Kiev is one of the most dynamically developing business segments, and at the same time remains unsaturated today. In recent years, the metropolitan market of fast-food restaurants has been actively replenished with new establishments that meet the current needs of the main target audience - the middle class, offering a reasonable price-quality ratio and saving time on cooking at home.

According to the Allegra World Coffee Portal report [65], in 2019, 16.8% more coffee houses were opened in Ukraine than in 2018, which allowed our country to enter the top three European countries in terms of the number of new coffee houses. In Kyiv alone in January 2020, 23 restaurants and cafes were opened or announced to open in the near future, including both chain establishments and completely new ones.

The increase in the number of tourists is partly due to the recommendations of well-known bloggers and magazines. So, for example, the travel platform Big Seven Travel in 2020 included Kiev in the TOP-7 cities worth visiting. On the other hand, well-known bloggers recommend specific institutions, thereby popularizing them.

Due to the increasing demand, the patisserie market is attractive to many entrepreneurs.

The hotel market in Ukraine is also very large and interesting – it is about 197 hotels, - there are 197 hotels in Ukraine that have a valid certificate, otherwise - a certain number of stars. Among them, 36 hotels correspond to the five-star category. The largest number of status accommodation establishments is concentrated in tourist Odessa and the region - 15 hotels. Silver went to the capital and the Kiev region, which together have 8 top hotels. 5 hotels of the same status operate in Kharkov and Lvov, in the Ivano-Frankivsk region (but not in the regional center, but in the Bukovel region) - 2. Also, there are 73 hotels of 4 stars in Ukraine and 17 of them are in Kyiv.

There are different types of hotels in Kyiv: hotels, apart-hotels, hostels, A-hostels, monotal-space, the tower hostels and hybrid hotels. Among them: 3 882 – rooms with 3 stars, 3624 – with 4 stars and 1518 rooms with 5 stars [66].

According to Cushman & Wakefield, from 2018 to 2020, the number of rooms in Kiev hotels will increase by 13% from 10,117 rooms to 11,451 [67].

According to hoteliers, the following are scheduled to open in 2022-2023: the 3-star Ibis & Adagio Kyiv (265 rooms), the 5-star Radisson Hotel Pechersk Park Kyiv (167 rooms) and the Sheraton Kyiv Olimpiyskiy (208 rooms). In the fir 3.1 you can see the number of rooms in Kyiv hotels for the last 3 years and forecast for 2022 from Colliers international [66].

So, the market HoReCa is developing and is big enough even in crisis conditions.

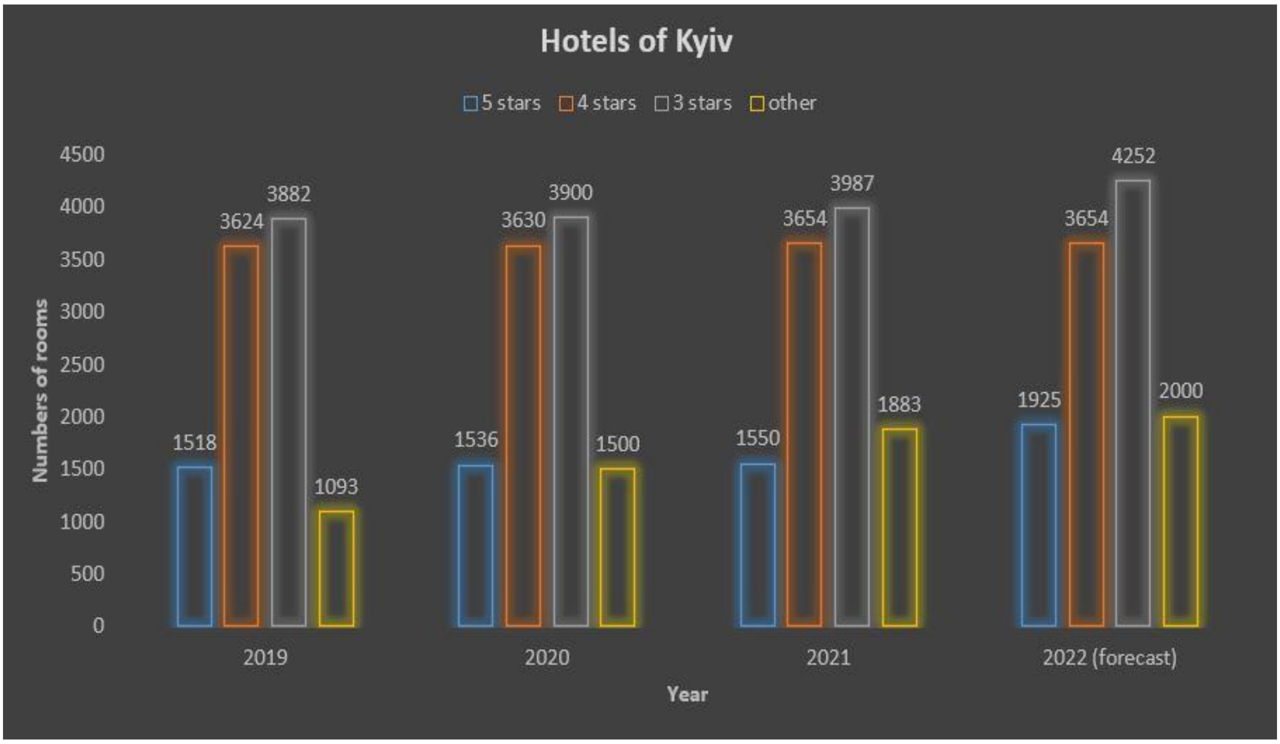

Figure 3.1. – Number of rooms in Kyiv hotels for 2019-2021 years and forecast for 2022

Source: developed by the author on the basis of [66]

Let’s look closer to the market of standard line furniture. It’s necessary to say, that we consider building boom, which we can see in Kyiv, so according to this, we tried to understand – how many families could be interested in our product.

There were for sale 21 economy class residential complex and 165 new comfort class buildings in Kyiv in February 2022 according to statistics of Dom.ria.com [67], while in February 2021 there were 33 and 104 accordingly, see the fig 3.2. We can see, that in Kyiv become more economy class residential complexes, may be due to decline in the purchasing power of the population, but with a high need to improve the quality and quantity of living space, relocation to Kiev from other settlements, small towns and other regions of the country.

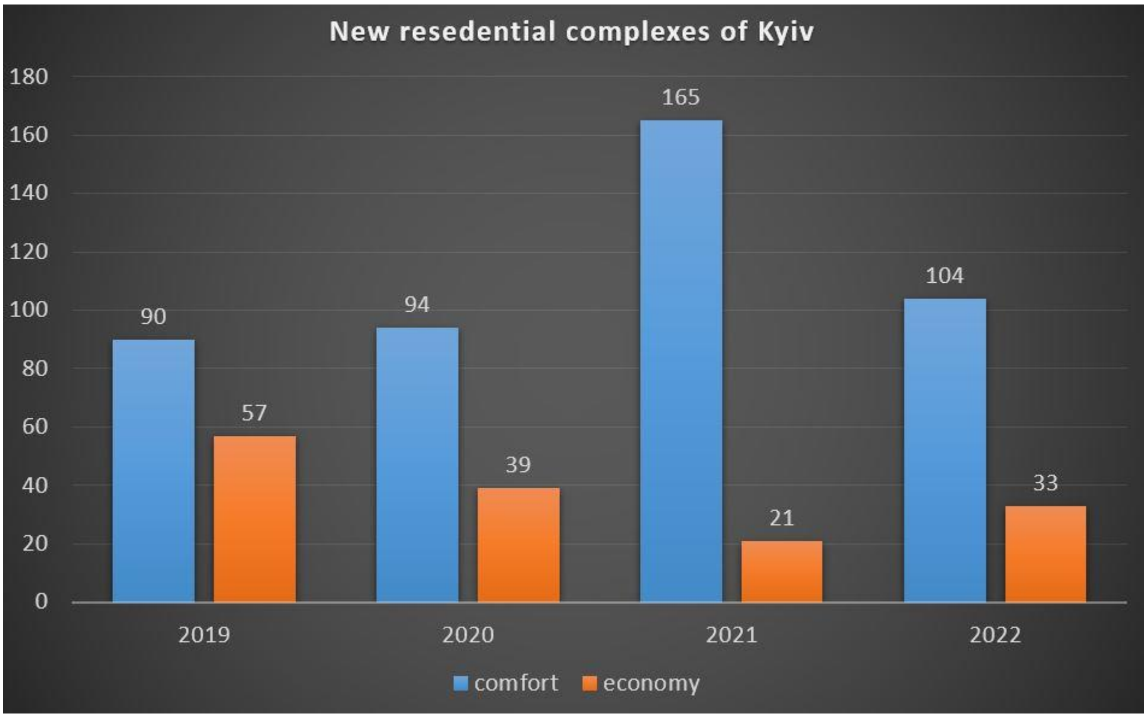

Figure 3.2. – Number of new residential complexes of economy and comfort class in Kyiv in 2021-2022

Source: developed by the author on the basis of [68]

Dynamics of supply of new buildings in the primary housing market of Kiev – the fig. 3.3.

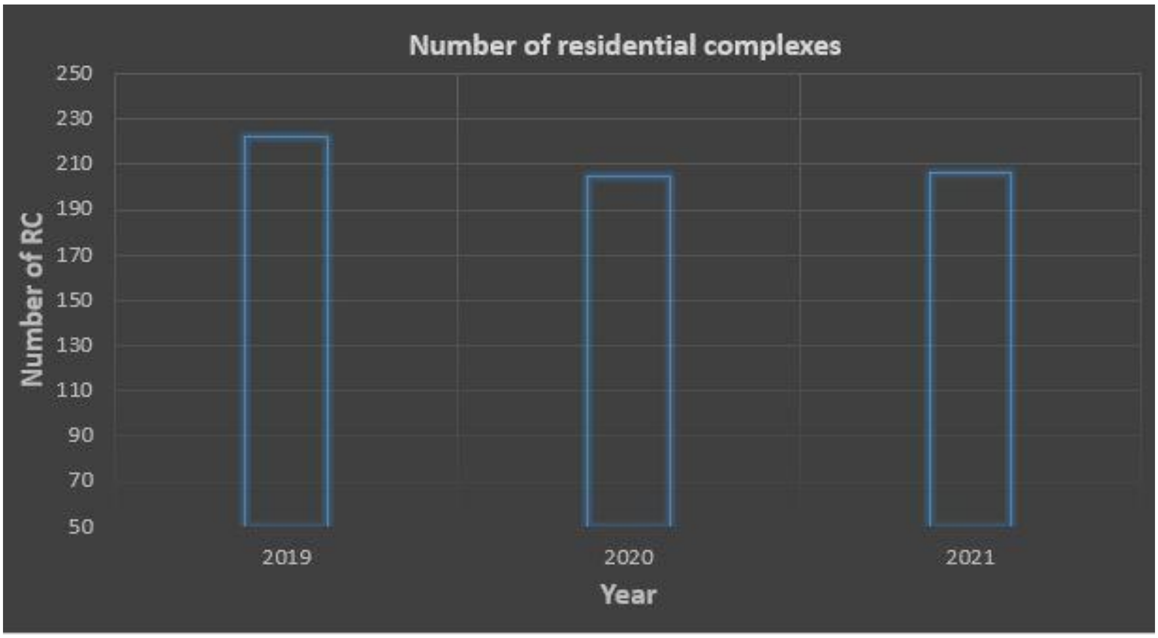

Figure 3.3. – Number of new residential complexes all classes in Kyiv

Source: developed by the author on the basis of [68]

Table 3.1. – Comparison of two marketing strategies according to the main criteria

Criteria	Standard line	HoReCa
Market potential	176 new residential complexes and old housing stock in economy and comfort sector	11451 rooms in Kyiv
Competitors	IKEA, Sterh, Cornes, Smart mebel, Lareto, Roda etc	Citygrand, Mic, Agency "Help friends", ZEST etc
Customers	Old small apartments, new buildings economy and comfort class	Chains of restaurants, cafes, hotels
Unique competitive advantage	Affordable price and professionally designed product line style	Beautiful individually designed, recognizable design, sophisticated furniture
Value proposition	Table 3.2	Table 3.2
Positioning	Stylish, cheap, high quality, affordable	Cool design, complex projects, competent development, the ability to order a furniture design project
Basis of the marketing plan	The presence of a showroom, the ability to order the assembly service separately, low price, high-quality online service	A full cycle of services, the presence of a status portfolio, the development of an individual design line, a professional project implementation team
Promotion	I-net resources, Website, social networks, hypermarkets like Epicenter and Rozetka, cooperation with other stores	Exhibitions, business card website, portfolio, competitions, cooperation with other designers and architects

Source: developed by the author

In the Table 3.2, we have collected all the pros and cons of implementing new marketing strategies in terms of firm readiness and in terms of retaining the team that will be needed to implement new marketing strategies.

The main criterion is, of course, the company's team and the company's readiness to change the current strategy and quickly adapt to the implementation of a new one. From this point of view, a strategy that focuses on the HoReCa niche is more advantageous and attractive.

Table 3.2. – Comparison of two marketing strategies according internal criteria of the firm

Standard line		**HoReCa**	
Pluses	Minuses	Pluses	Minuses
Vast market		Vast market	
Ability to automate the process			Processes are difficult to automate
Business scales more with process automation and scale-up			Business scales more by building a team of professionals (great salaries and ambitions)
	Projects without status, targeting the market of middle- and lower-income families	Projects with status and socially significant, recognizable	
More stable predictable cash flow			Cash flow depends on the project, its active financing or freezing
Ability to retain a team of executive people		Ability to retain a team of ambitious professionals	

Continuation of Table 3.2

Standard line		**HoReCa**	
	Longer implementation of a new marketing strategy, the company is not ready for a quick transition	Faster start to implement a new marketing strategy, the company is more ready for this transition and adaptation	
		Work with a higher level of client base, the ability to connect additional services	
Work with processes		Work with teams	

Source: developed by the author

Consider further other indicators - financial and risk analysis of these two marketing strategies.

Marketing risk can usually be described as loss of profits due to lower sales or decreasing the price. Therefore, marketing risks are among the most important for most investment projects. The main causes of marketing risks are:

- low professionalism of marketing services;

- wrong segmentation of the market;

- errors in building a sales network and a market promotion system;

- low effectiveness of advertising.

Errors in planning a marketing strategy are mainly related to insufficient analysis of market needs: inefficient positioning, assessment of market competitiveness or pricing. In addition, errors in advertising policy can lead to marketing risks, for example, choosing an inappropriate promotion method, insufficient budget for promotion.

Consider the possibility of risks for the marketing strategy - the concentration of the company's activities in the segment of the HoReCa. Through the analysis of all activities, including risk assessment, many potential problems can be solved in the future. Risks arising in the field of strategic marketing can be connected with market risks, equity risks, profit risks, plus tactic risks – the risk of wrong or unprofessional implementation of the strategy.

The first risk is that the volume of focused potential market is not so big as was analyzed and thus, the volume of sales in this niche will not correspond to the expected.

The second risk is connected with reputation. The company's products and services may experience quality issues from time to time, which can lead to lower sales and operating profits and damage the company's reputation. Other reputation risks are:

- attacks from competitors;
- dissemination of false information about the brand;
- negative customer reviews;
- scandals, etc.

The third type of risks - Communication risks:

- wrong feed;
- overpriced or underpriced;
- unprofessionalism of employees;
- wrong advertisement.

The fourth risk is that the furniture market is very competitive and our service or product wouldn't be unique. Many design studios and architectural bureaus already have their own contractors or firms with which they cooperate. Getting a place in the sun is not easy. And customers select contractors from prices rather than from competent market analysts, since the investor often outsources work to assistants, managers who are not competent in that area.

Profit risks are due to the fact that the implemented marketing strategy will not be able to provide the planned margin level. For example, a company may not be ready for a long-term or frozen project. Or, due to the volume of products, the company will not be ready for the additional costs that will appear in connection with the additional production or storage of products.

The financial capabilities of potential customers can be greatly overestimated and the company will not be able to provide its services at the level at which it is planned. This can happen in cases of austerity from investor side.

Consider the possibility of risks for the marketing strategy – Standard line.

The first risk is that global furniture companies such as Ikea are serious players in this highly competitive market and because of this, our company's position may be subject to rapid change. Moreover, a company like Ikea has a huge financial reserve to fight competitors, price dumping and the rapid development of communication channels with potential customers.

The second risk is related to the need for the company to move from individual production to serial production, which means that all processes will be redone, and this entails a serious adaptation of the basic team and other stuff. Some may want to leave the company, slowing down the implementation of a new strategy and increasing the burden on those stuff who remain.

The third risk: new strategy will involve winning a piece of the market from existing players, which means it will require additional costs for proactive marketing activities. This risk is about the ability to quickly conquer the market and the costs of this.

The fourth risk – is Communication type of risks:

- overpriced or underpriced;

- wrong advertisement;

- long time to dive in the market with a new brand at low costs on active advertising.

The financial capabilities of the company may not allow to implement new strategy without continuing an old strategy in parallel.

In the table 3.3. – You can see different spheres, from where the risk event can come and evaluation of the probability and its impact on «HoReCa» marketing strategy.

Table 3.3. – Risk analysis of «HoReCa» marketing strategy

PARAMETER	Probability (P)	Impact (I)	Criticality P x I
Market risks total	**2,3**	**4,3**	**10,1**
Market volume underestimation	2	5	**10**
Market drop	2	5	**10**
Not sufficient market share of the company	3	3	**9**
Financial results	**2,7**	**4,2**	**11,1**
Negative cash-flow	1	5	**5**
Investments lack	2	3	**6**
Profitability drop	2	4	**8**
Expenses growth	5	4	**20**
Consumer's insolvency and payments problem	3	5	**15**
Net profit drop	3	4	**12**
Sales and demand risks	**2,5**	**3,75**	**9,4**
Partners network problems	2	3	**6**
Price could be high for consumers	4	4	**16**
Consumers` purchasing ability;	1	4	**4**
Marketing communications inefficiency.	3	4	**12**
People risks	**2**	**4**	**8**
Dependence on IT staff;	1	5	**5**
Staff conflicts due to new marketing strategy implementation	2	3	**6**
Weak project team	2	5	**10**
Conflicts "owners – TOP managers"	3	3	**9**

Continuation of Table 3.3

Macro-risks	**2,8**	**4,8**	**13,44**
Governmental actions	3	5	**15**
Taxation system changes;	2	4	**8**
Exchange-rate risks.	3	5	**15**
Credit risks	2	5	**10**
Instability of legislation and economy due to hostilities	4	5	**20**
TOTAL RISK LEVEL OF THE PROJECT	**2,5**	**4,2**	**10,4**

Source: developed by the author

In the Fig. 3.4 there is risk matrix for HoReCa marketing strategy, so, it's middle one and the weakest point in this strategy are Sales and demand risks and financial results expectation. The macro risks have the highest point because of war activities.

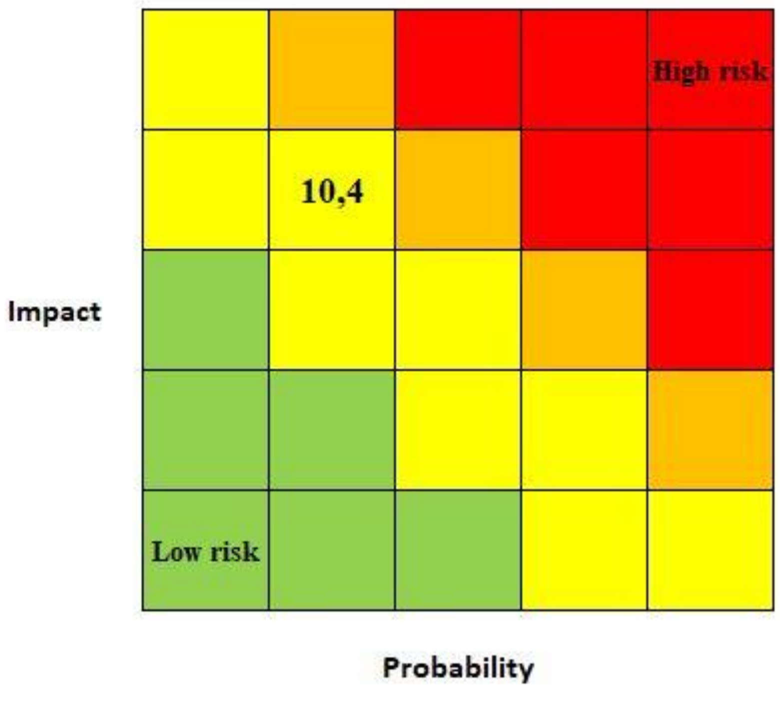

Figure 3.4. – Risk matrix for HoReCa marketing strategy

Source: developed by the author

In the table 3.4. – You can see different spheres, from where the risk event can come and evaluation of the probability of such event and its impact on our « Standard line » marketing strategy.

Table 3.4. – Risk analysis of «Standard line» marketing strategy

PARAMETER	Probability (P)	Impact (I)	Criticality P x I
Market risks total	**3,0**	**4,7**	**14,0**
Market volume underestimation	3	5	**15**
Market drop	3	5	**15**
Not sufficient market share of the company	3	4	**12**
Financial results	**3,3**	**4,7**	**15,6**
Negative cash-flow	2	5	**10**
Investments lack	3	4	**12**
Profitability drops	3	4	**12**
Expenses growth	5	5	**25**
Consumer's insolvency and payments problem	4	5	**20**
Net profit drop	3	5	**15**
Sales and demand risks	**3,5**	**4,5**	**15,8**
Partners network problems	3	4	**12**
Price could be high for consumers	4	5	**20**
Consumers` purchasing ability;	3	5	**15**
Marketing communications inefficiency.	4	4	**16**
People risks	**3**	**4,5**	**13,5**
Dependence on IT staff;	4	5	**20**
Staff conflicts due to new marketing strategy implementation	3	5	**15**
Weak project team	2	5	**10**
Conflicts "owners – TOP managers"	3	3	**9**
Macro-risks	**2,8**	**4,8**	**13,44**
Governmental actions	3	5	**15**
Taxation system changes;	2	4	**8**
Exchange-rate risks.	3	5	**15**
Credit risks	2	5	**10**
Instability of legislation and economy	4	5	**20**
TOTAL RISK LEVEL	**3,1**	**4,6**	**14,5**

Source: developed by the author

In the Fig. 3.5 there is risk matrix for Standard line marketing strategy, so, it's middle-high with moderate probability but critical impact. The weakest point in this strategy are Sales and demand risks and financial results expectation as in the HoReCa marketing strategy plus People risks are also high.

A separate risk is such a force majeure and critical factor as hostilities in our country, which means not only huge physical losses (human and property), but also the uncertainty of anti-crisis actions by the state apparatus at such a critical time for Ukraine. This factor is significant, which brings great instability, uncertainty and affects our company in any case.

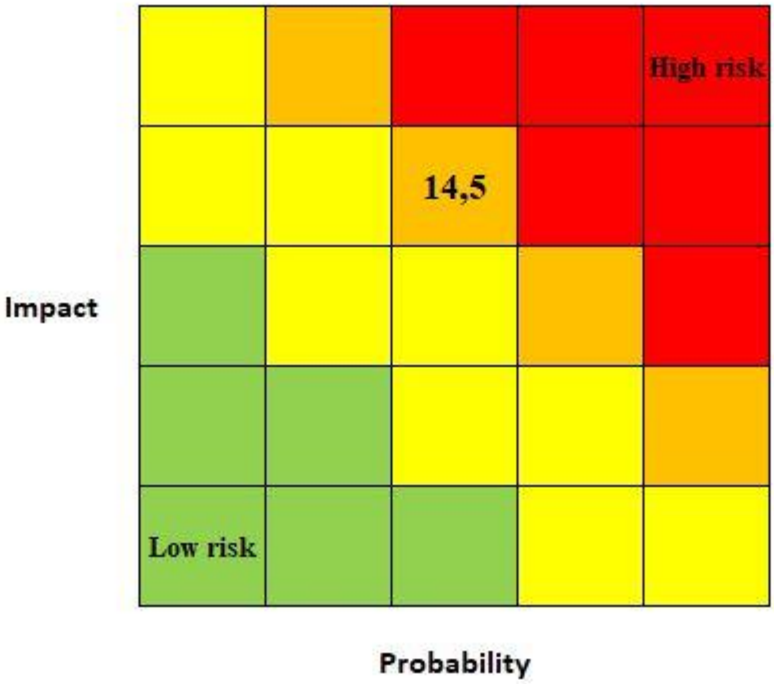

Figure 3.5. – Risk matrix for Standard line marketing strategy

Source: developed by the author

Our company is located in the zone of small enterprises and, taking into account official Ukrainian statistics, our turnover provided us with 0.074% of the market share of small enterprises in the country, or 0.01% of the market share of all cabinet furniture sold in Ukraine in 2021.

If we are talking about cabinet and wooden furniture, then following the niche strategy, we predict the following sales volumes for the next 3 years:

There are 5500 rooms of 5 and 4 stars in Kiev, the renewal takes place every 5 years, which means that 1100 rooms need to be updated every year.

As for the sales of standard furniture, according to our target market, the company's capabilities and the lack of brand recognition in this niche, we assume that the inertia of entering the market for standard furniture will be lower at the beginning, it will require more investment and time for the formation of the company and its brand on the market. Below, Figure 3.6 shows the company's sales forecasts for the next 3 years, 2022-2024:

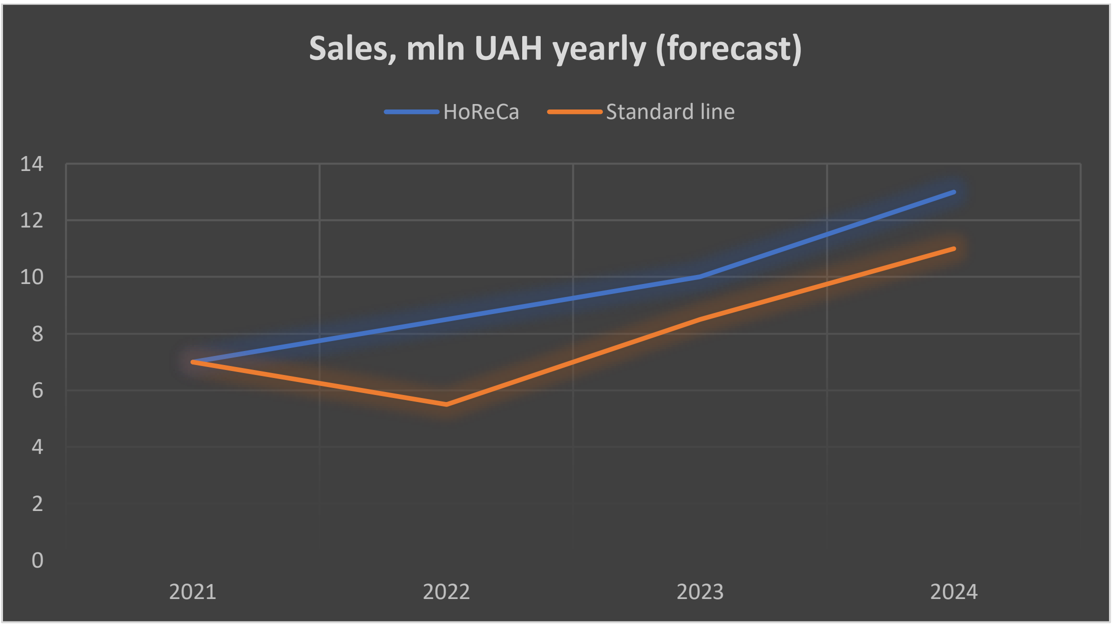

Figure 3.6. – Sales forecast comparison for Project LLC in 2022-2024 for 2 marketing strategy

Source: developed by the author

Expected return for HoReCa marketing strategy are the next: we think that the investment gives a 50% probability of obtaining a 15% return, a 25% probability of obtaining a 20% return, a 25% probability of obtaining a return equal to −10%, the expected return will be 15%. For the next years, you can see he information in the table 3.5:

Table 3.5. – Expected return forecast for Project LLC in 2022-2024 for «HoReCa» marketing strategy

HoReCa				
	Probability	Profitability	Probability*Profitability	Expected return
2022	50%	15%	0,08	15%
	25%	20%	0,05	
	25%	10%	0,03	
2023	50%	20%	0,10	20%
	25%	23%	0,06	
	25%	15%	0,04	
2024	50%	30%	0,15	31%
	25%	25%	0,06	
	25%	40%	0,10	

Source: developed by the author

Also, we calculated expected return for Standard line marketing strategy, so the numbers for 2022 are: we think that the investment gives a 50% probability of obtaining a 10% return, a 25% probability of obtaining a 15% return, a 25% probability of obtaining a return equal to −18%, the expected return will be 13%.%. For the next years, you can see he information in the table 3.6:

Table 3.6. – Expected return forecast for Project LLC in 2022-2024 for «Standard line » marketing strategy

Standard line				
	Probability	Profitability	Probability*Profitability	Expected return
2022	50%	10%	0,05	13%
	25%	15%	0,04	
	25%	18%	0,05	
2023	50%	12%	0,06	15%
	25%	17%	0,04	
	25%	20%	0,05	
2024	50%	30%	0,15	24%
	25%	20%	0,05	
	25%	15%	0,04	

Source: developed by the author

Expected return forecast comparison for Project LLC in 2022-2024 for 2 marketing strategy see the fig.3.7 below:

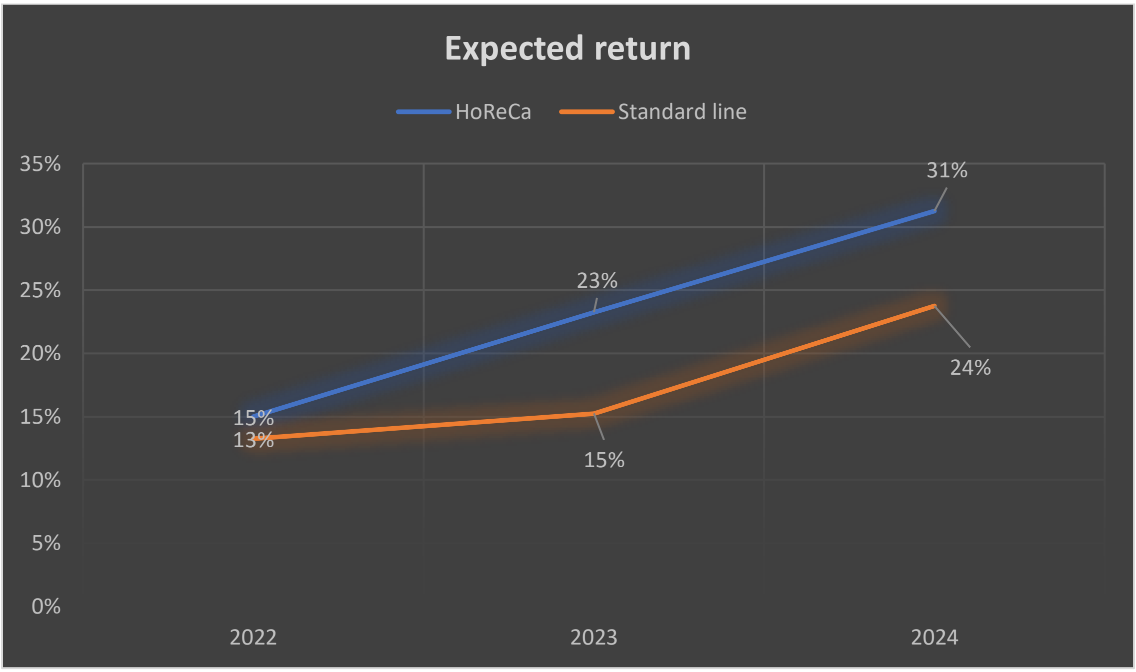

Figure 3.7. – Expected return forecast comparison for Project LLC in 2022-2024 for 2 marketing strategy

Source: developed by the author

As we can see, the niche strategy in the field of HoReCa is more profitable, since the expected income in the short term is greater, and it is imperative to take into account the short-term under the influence of crisis factors and market instability. Also, the investment required to work with a client like a ferret is less, which is better for a small company.

That is why further in this work we will consider in more detail the strategy of concentration in the HoReCa market.

3.2 Building an updated marketing strategy under the influence of crisis factors

The company, plunging into the hotel business, will work with the rooms fund and common areas for residents and visitors as well as with staff common areas. The company's products will be mainly presented in different segments of hotels, from 4 and 5-star hotels, spa complexes to big hostels. Also, about 30% of the turnover is expected to come from the design and development of design projects. This area is interesting because even with the strong influence of crisis factors, political and economic instability, the main customers are powerful enterprises, large investors, who are not so dependent in the short term and economic shocks, and for whom, as the market analysis showed, the crisis did not effect on solutions to develop and expand hotel chains. There are several reasons for this: greater interest in Ukraine among tourists, visiting Ukraine by various politicians, pop-stars concerts in Ukraine, the development of domestic spa tourism, gastro tourism, as well as the launch of high-level spa hotels, tourism based on medical services (e.g., dental).

Brand positioning:

Development of an individual furniture project for public institutions, production of beautiful exclusive high-quality cabinet furniture: thoughtfully, efficiently, quickly, comfortably.

In the table 3.7 there is value proposition canvas of the «HoReCa» marketing strategy for the Project LLC, which describe what are the principles of the company activity, what are the main goods and services of the company.

Here you can find what problems and needs can our products and services solve for the customer, why they are important for him. As we provide more service than a product, the team plays a very important role in a company day to day operations.

This team must also share the values that the firm carries, which the manager considers the basis for creating a trusting relationship between the firm, the investor and the consumer.

Table 3.7 – Value proposition of the «HoReCa» marketing strategy

Customer values	Benefit factors
a comprehensive service – everything in one place	a comprehensive service for the design and production of cabinet furniture, interior design project
exclusive furniture style	well-designed interior solutions
interesting details in interior and furniture, that show the Place' style	thoughtfully-designed constructive solutions
high quality of furniture	high-quality fittings and materials
comfort service	high-quality and quick assembly of furniture
completion of the project on time	customer-oriented service
control over the organization of the project	the team of qualified project managers
Customer's tasks	Goods and services:
beautiful and stylish furniture design	interior and furniture design
furniture that will last a long time	high quality materials for furniture manufacturing
exclusive interiors accessories	manufacture of interior accessories made of concrete, metal and wood
possibility to order a complex service	integrated approach
development of the project implementation sequence and coordination of a large number of contractors and various works at the facility	Services of an architect, designer, constructor, professional project managers
Customer's problems	Problems solving:
development of a furniture project at the stage of repair work	competent development of furniture projects and high qualification of the team
lack of understanding between the client and the contractor	good qualifications, positive experience of participating in similar projects, portfolio
huge choice of materials, lack of understanding of the pricing policy of manufacturers	well-established algorithm for coordinating issues with the client of his needs and capabilities
the need to create beautiful and at the same time furniture for intensive use	reliable suppliers of materials and fittings
importance in terms, as the delay threatens with loss of profit for the business	well-established approval and production process

Source: developed by the author

In the table 3.8 we show the list of possible marketing actions with budgets of the «HoReCa» marketing strategy:

Table 3.8 – List of possible marketing actions with budgets needed to implement new marketing strategy, budgets forecasted yearly on 2022-2024.

Marketing actions	Responsible	2022	2023	2024	Total
Exploring of the external environment	Marketing department				
PEST		14 000			14 000
Porter		15 000		15 000	30 000
Exploring of the internal environment	Marketing department				0
SWOT		15 000		15 000	30 000
BCG					
McKinsey					
Strategy setting	Marketing department				0
Product	Marketing department/Owner				0
Positioning setting		50 000		20 000	70 000
Creation of packaging		6 000			6 000
Brand development		100 000	100 000	120 000	320 000
digitalization of communications and presentation of the product to the investor		50 000	50 000	0	100 000
Price	Marketing/Finance dep-nt				0
Pricing		20 000	0	20 000	40 000
Competitor price analysis		15 000		15 000	30 000
Place	Marketing/Sales department				0
Definition of distribution channels					0
Direct/indirect sales		25 000	25 000	25 000	75 000
Promotion	Marketing department				0
Web-site development		60 000	15 000	15 000	90 000
SMM, SEO		30 000	30 000	30 000	90 000

Continuation of Table 3.8

Marketing actions	Responsible	2022	2023	2024	Total
People	Marketing/Owner				0
Motivation system		100 000	120 000	120 000	340 000
Training plan					0
Total cost		**500 000**	**340 000**	**395 000**	**1 235 000**

Source: developed by the author

Customers:

- hotels, hostels;
- restaurants;
- cafes;
- spa-hotels;
- medical-centers.

Goals:

- building a brand known in the restaurant and hotel business as reliable and cool;
- formation of own substyle for the company;
- To increase turnover twice till 2025, compare to 2021.

Marketing activity of LLC Project:

- participation in competitions for architects, designers and constructors-engineers (German design award, Red Dot, Property awards, Architecture prize, World Interior design award etc.) - this will provide an opportunity to increase the value of the brand, improve its recognition and value in the market and among investors;
- Advertising in social networks (Facebook, Instagram) - it will increase the value of the brand, improve its recognition and value in the market;

- exhibitions in Ukraine («Interior mebel», «KIFF») - acquaintance with new contractors, investors, and also improves the attractiveness for potential job seekers in this area;
- visiting international exhibitions, as Salon International Del Mobile Milano -
- it helps to keep abreast of new products and use new trends in the work of the company and the products it creates;
- advertising in specialized print and online media (D-journal, HIS) - recognition and value in the market and among investors;
- active participation in competitions that are significant at the international external events for furniture designers and manufacturers (held by RIM, FunderMax etc.).

Our unique offer on the market:

modern vision of a high-quality exclusive furniture project for public buildings, comfortable pastime, and high-quality professional execution of the project.

Here are a few projects that the company has completed and can put into its portfolio: this is taking part in the development and producing of furniture for the medical and spa-center Edem in Lviv, as well as the development of the rooms in the Kiev IQ-hotel. In the fig.3.8. – Edem medical and spa.

Figure 3.8. – Project from portfolio (Edem, medical and spa, Lviv, Ukraine)

Source: uvm.kiev.ua

Our future staff consists of the owner of the company, he is also the person responsible for public relations, an accountant, a marketing department (he is also responsible for the business development of the company), a project managers department (no more than 3 parallel projects per manager), administration salon, design engineer, designers, assembler team, shop staff. The organizational structure remains the same, which is a plus, since it does not require additional adaptation from the company's employees.

In the fig.3.9 you can see the graph in monetary terms the sales forecast and the cost of the product and service in 2022-2024.

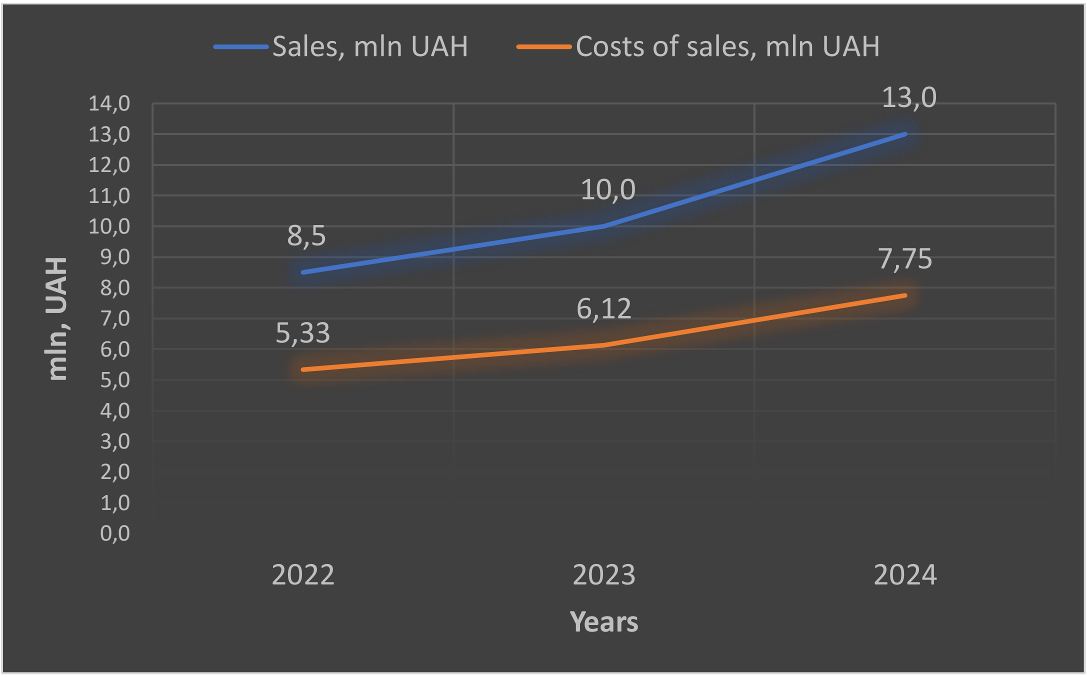

Figure 3.9. – The sales forecast and the cost of the product and service in 2022-2024 in monetary terms

Source: developed by the author

Unfortunately, the production of furniture in Ukraine is very dependent on imported materials, even accessories are bought in other countries. There are chipboard manufacturers in Ukraine, but such brands as Egger, Cleaf are imported from other countries. In Ukraine, we work with such suppliers as Korosten MDF plant, Swiss Krono. So, the cost of supplied materials is growing so fast that the manufacturer cannot raise the price in accordance with such rises in price, since the client in Ukraine cannot pay this price. Thus, the cost of production increases every year and it's very difficult to contain the growth of production costs.

Such increases in the cost of production tell us that an increase in the cost of production and a decrease in the consumer's solvency will lead to increased competition, a more thorough approach in the choice of materials, contractors, process automation and, as a result, a decrease in the labor resources required to service large-scale projects.

A company participating in large projects and having the opportunity to make purchases in bulk will receive additional discounts from suppliers, special offers and thus be able to contain the growth of production costs and even reduce it. Also, in Figure 3.10 you can see the cost of production (forecast), expressed as a percentage of the sale price.

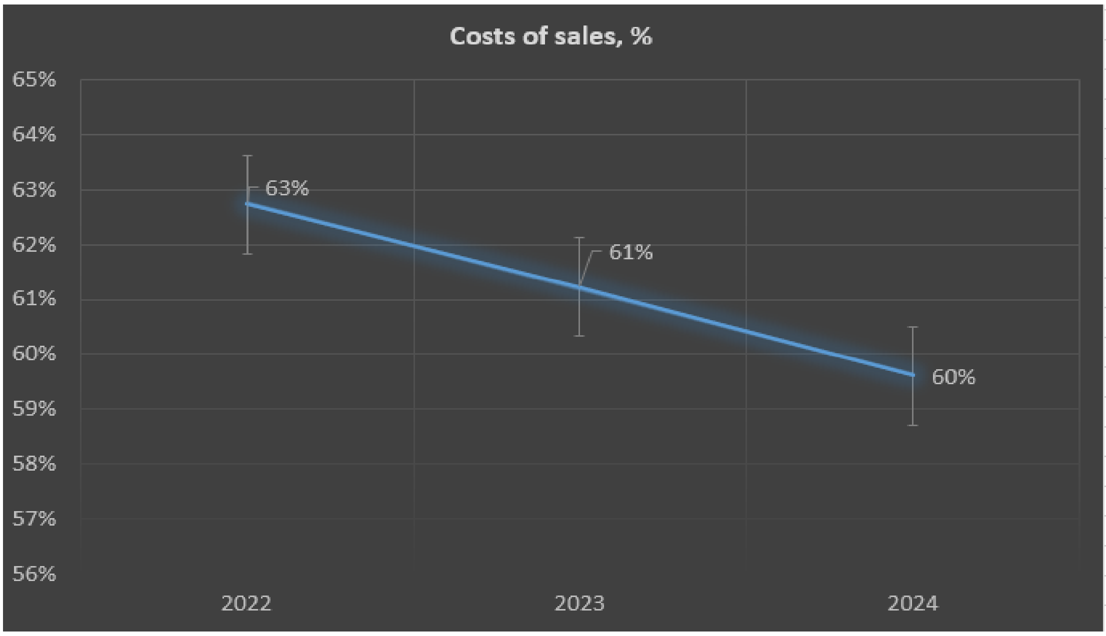

Figure 3.10. – The cost of sales, in % to sale price, in 2022-2024

Source: developed by the author

Also, crisis factors force us to think over such a marketing strategy, in which the return on investment should be as fast as possible, and exit from the market under force majeure circumstances should be the least painful and least costly.

3.3 Analysis of economic efficiency of marketing strategy implementation

The table below shows the investments, required to implement a new marketing strategy, develop the brand and position the company correctly in the market in the niche of the restaurant and hotel business, as well as to ensure the company's production and warehousing capacity:

In the table 3.9 there are investment which the company will have to make to increase the areas of its warehouses and office in case of constant work with big projects, took to account first 12 month of rental as the company will have to do it when moving, for preparation of these areas for work and usage.

Table 3.9 – Investments for implementation of new marketing strategy in 2022

investment in fixed assets	Description	Budget, UAH
expansion of office space	New company activity needs more space for salon and office - about 200sq m	150 000
increase in workshop space	to provide new opportunities for high-volume production and warehousing	200 000
purchase of powerful computer equipment	3 more computers	150 000
tools	some tools for workshop	80 000
investment in intangible assets		
marketing activities	see table 3.8	500 000
Patents		
Development of utility models		
Total		1 080 000

Source: developed by the author

In marketing activity investments, we included purchase of new office equipment for better work of employees and communication with the client, as well as for a more effective presentation of projects to investors. Also, we included patent expenses to protect designers' and constructors' right, when developing different design projects and participation in different awards competitions.

The company was recommended to invest in a new marketing strategy in stages in order to avoid loan repayments and, in addition, to try out a new vector of development in practice. Thus, the 1st stage of investment, which is 583,000 for marketing and 230,000 for increasing the capacity of the software, an additional tool. Total 813 000 UAH.

The second part - UAH 550,000 - is the expansion of office space and assembly shops and warehouses

Also, a large share of marketing spending is occupied by the development of the brand, bringing it to a new market, advertising, and of course, motivational programs for company employees.

Investment in fixed assets will provide the company capacity to manage big projects in very good terms of time.

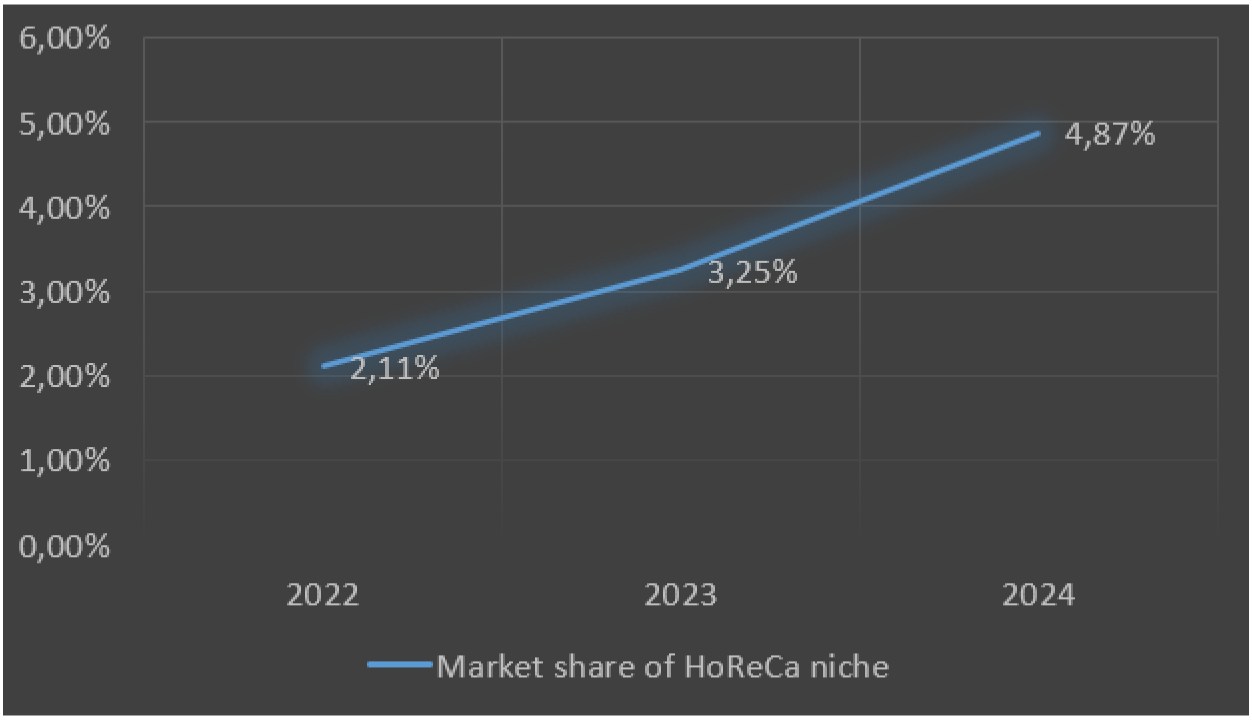

Figure 3.11. – Projected market share for Project LLC in 2022-2024 (Based on numbers of furniture for HoReCa niche)

Source: developed by the author

Table 3.10 shows the projected income and expenses for a company when implementing a new marketing strategy.

Table 3.10 – P&L statement of LLC «Project» for 2022-2024

P&L STATEMENT			
	2022	**2023**	**2024**
Sales Revenue			
Individually designed furniture for HoReCa sphere	5 695 000	6 700 000	8 710 000
Interior design	2 125 000	2 500 000	3 250 000
Additional services	425 000	500 000	650 000
Furniture drawings	255 000	300 000	390 000
Total Sales Revenue	8 500 000	10 000 000	13 000 000
Cost of Sales			
Individually designed cabinet furniture	3 644 800	4 154 000	5 226 000
Interior design	1 338 750	1 575 000	2 015 000
Additional services	233 750	265 000	344 500
Furniture drawings	114 750	129 000	163 800
Total Cost of Sales	5 332 050	6 123 000	7 749 300
Gross Profit	3 167 950	3 877 000	5 250 700
Operating Expenses			
Sales and Marketing	300 000	150 000	150 000
Advertising	100 000	90 000	45 000
Total Sales and Marketing Expenses	400 000	240 000	195 000
Total R&D Expenses	100 000	100 000	200 000
General and Administrative expenses			
Wages and salaries	427 500	576 000	800 000
Bonuses for staff	120 000	300 000	400 000
Rent	796 800	796 800	796 800
Telephone	39 000	54 000	60 000
Utilities	150 000	50 000	50 000
Depreciation	100 000	100 000	100 000
Repairs and maintenance	80 000	50 000	50 000

Continuation of Table 3.10

P&L STATEMENT			
	2022	**2023**	**2024**
Total General and Administrative Expenses	1 513 300	1 726 800	2 056 800
Total Operating Expenses	2 013 300	2 066 800	2 451 800
Income from Operations	1 154 650	1 810 200	2 798 900
Taxes			
Income taxes	225 157	352 989	545 786
Payroll taxes	83 363	112 320	156 000
Total Taxes	308 519	465 309	701 786
Net Profit	846 131	1 344 891	2 097 115

Source: developed by the author

It is important to understand that the marketing strategy is developed taking into account the fact that the company does not have large capacities and a margin of safety, like large enterprises in our country, which means that in the absence of additional investments from the outside, the company can rely only on its own strength and very carefully weigh all the additional expenses, expansions and innovations, as they can be detrimental to the existence of the company.

As you can see, the main feature of the new marketing strategy is that it involves providing projects with a relatively small number of people, which means that the staff will increase, but gradually and not much.

The main emphasis of the strategy is on the activation of design work, project management and automation of routine issues, along with a decrease in cold communications and extra labor costs for communication with an "inappropriate" client, that is, not with our target audience.

As mentioned earlier, companies must participate in various competitions to consolidate their position in the market, brand awareness and raise the cost of services. We included such participation in the costs of marketing activity, since such competitions involve the manufacture of prototypes, their delivery to the country where the competition is held, and so on. Unfortunately, even the prizes do not cover the costs of such participation. So, such events are just the way o increase our good will.

The table 3.11 below shows the projected cash flows for 2022-2024:

Table 3.11 - Cash-flow statement of LLC «Project» for 2022-2024

	2022	2023	2024
Sales income	8 500 000	10 000 000	13 000 000
Total Cost of Sales	5 232 050	6 223 000	7 749 300
Fixed costs	1 663 300	1 776 800	2 106 800
Employee salaries and social payments	630 863	988 320	1 356 000
Taxes	225 157	352 989	545 786
Cash flows from operating activities	**973 788**	**1 011 880**	**1 787 900**
Acquisition of fixed assets	-150 000	-50 000	-50 000
Other investments	-580 000	-390 000	-445 000
Cash flows from investing activities	**-730 000**	**-440 000**	**-495 000**
Receipts of borrowed funds	0	0	0
Return of loans	0	0	0
Payment of dividends	0	0	0
Cash flows from financial activities	0	0	0
Total Cash-flow	243 788	571 880	1 292 900
Cash at the beginning	194 750	438 538	1 010 418
Cash at the end of the period	438 538	1 010 418	2 303 318

Source: developed by the author

As you can see, the first year is quite difficult financially, as there is a negative cash-flow of money, but it is compensated by the company's assets, its generated capacities and does not require additional loans, which is important in a crisis and unstable economic development.

Let's Calculate the main indicators of the investment benefits of implementing a new marketing strategy:

Discount Rate = Risk Free Interest Rate + Risk Premium

The rate on deposits in Oschadbank is 7.25% per year. We use the method for estimating the risk-free interest rate based on it. It's our Risk-Free Interest. Risk premium will be 1%. Discount Rate =8.5%

See the calculations of new marketing strategy investments in the table 3.12:

Table 3.12 - calculations of new marketing strategy investments effectiveness

Cost of Capital	**8,5%**	Comments
CF_0	**-1 080 000 UAH**	
CF_1	**846 131 UAH**	
CF_2	**1 344 891 UAH**	
CF_3	**2 097 115 UAH**	
NPV of project	**2 484 117 UAH**	Project is acceptable, as UAH 2 484 117>0
IRR	**94,1%**	Project is acceptable, as IRR>Cost of capital
PI A project	**3,3**	PI>1, project is acceptable
Payback period	**1 year and 2 months**	is acceptable (calculated as discounted)
EBITDA 2022	**1 254 650 UAH**	Net Income + Taxes + Interest Expense + Depreciation & Amortization
Gross margin	**37%**	(Revenue-Cost of sales)/Revenue
ROI 2022	**72%**	ROI<100%, as investments are still in the process of returning
ROI 2022-2024	**330%**	ROI>100%, as our investments are returned and the project brings us good additional profit (ROI totally for 3 years)
ROMi	**156%**	Calculated on the basis of 1st year 2022. Returns=discounted CF1, investments= investments in marketing activities and R&D in 2022
ROMi 2022-2024	**310%**	calculated for 3 years 2022-2024
ROMES	**52%**	return on marketing investments per extra sales
Marketing investments per turnover	**0,1**	means that every 0,1hryvna from the turnover we spend on marketing investments in 2022
ROE	**156%**	net income/Equity
ROA 2022	**40%**	net income/Assets

Source: developed by the author

As we can see from the table above, our project is very effective and is really acceptable in crisis conditions. Investments pay off in less than a year, investments can be withdrawn from the company's stream of income, investments can be divided into several stages, even postponed for subsequent years, which makes it possible to accumulate funds and invest them at the most appropriate moment.

In the table 3.12 you can see final ratios: ROI – return on investments. We calculated it for the 2022, as payback period of our investments is only 1 year and 2 months, so the project is acceptable and effective. Already in the first year we will receive 0.72 of hryvnia profit per 1 invested and 3.3 hryvnas profit over 3 years per 1 hryvna invested.

As ROM=156%, we will get 1,56 hryvna on 1 invested in marketing activity in the 2022.

In the table 3.13 there are main ratios, which show clearly the effectiveness of the new market strategy. Also, we put there sparklines to see, how our new marketing strategy has effective accumulated effect during 3 years:

Table 3.13 – Ratios of new marketing strategy implementation for the period 2022-2024

Ratios	2022	2023	2024
Return on margin (EBIT/Cost of sales)	0,22	0,30	0,36
Returns of sales (EBIT/Revenues)	0,14	0,18	0,22
ROLabour	1,26	1,29	1,48
Profitability of the margin (cost of sales/Revenues)	0,63	0,61	0,60
Profitability of Cost of Sales (Net Profit/Cost of sales)	0,16	0,22	0,27

Source: developed by the author

ROS (returns of sales) shows us that the share of profit in each earned monetary unit (UAH). It means that in every 1 hryvna we get from sales, we get 14 kopecks of operating profit in 2022, 18 kopecks in 2023 and 22 kopecks in 2024 – our operating profit margin is 14%, 18% and 22% accordingly.

ROL – returns on Labor shows us that on every 1 hryvna we spent on labor force, we get 1,26 hryvnas in 2022 and 1,48 hryvna in 2024.

Return on margin is also growing: we'll get 0.36 hryvna in 2024 that is on 60% more than in 2022 earnings to our cost of sales – means more effective marketing and increasing of administrative expenses effectiveness – more productive company usage of staff capabilities.

Increasing Profitability of Cost of Sales, which is based on net profit shows that the company should choose another system of taxation and reduce the tax burden.

3.4 Social responsibility of the "Project" LLC

“Project” LLC is engaged in the sphere of furniture production.

The company has been pursuing a policy of responsible attitude to the environment since its first days of existence. Such a choice implies harmonious coexistence, active participation in solving social problems and social interaction.

Ukraine joined the signing and definition of the 17 Global Sustainable Development Goals - this is a common call to action aimed at ending poverty, protecting the planet and ensuring peace and prosperity for all people in the world. Despite the fact that “Project” LLC is not a large global corporation, nevertheless, this company implements a responsible investment policy. It concerns increasing the level of greening of the production process, the use of environmentally friendly materials, improving logistics supply chains, and even more.

Main areas of social responsibility:

- The activity of the leader in solving social issues;
- Compliance and compatibility of the company's goals and the main areas of social responsibility;
- Actions, not words. An opportunity to show customers that the company cares about achieving sustainable development goals in Ukraine;
- Involvement of personnel in the implementation of social responsibility projects;
- Focusing the company's actions on human and social interests;
- Responsible consumption in furniture production and back-office provision;
- Awareness of the needs of the public
- Cooperation with companies that also follow the goals of sustainable development;

- Facilitating problem solving for a safer living environment for both the company's customers and employees.

Environmental issues. Balanced development (sustainable development) - a process of economic and social change in which natural resources, direction of investment, orientation of scientific and technological development, personal development and institutional changes are coordinated with each other and strengthen the present and future capacity to meet human needs and aspirations.

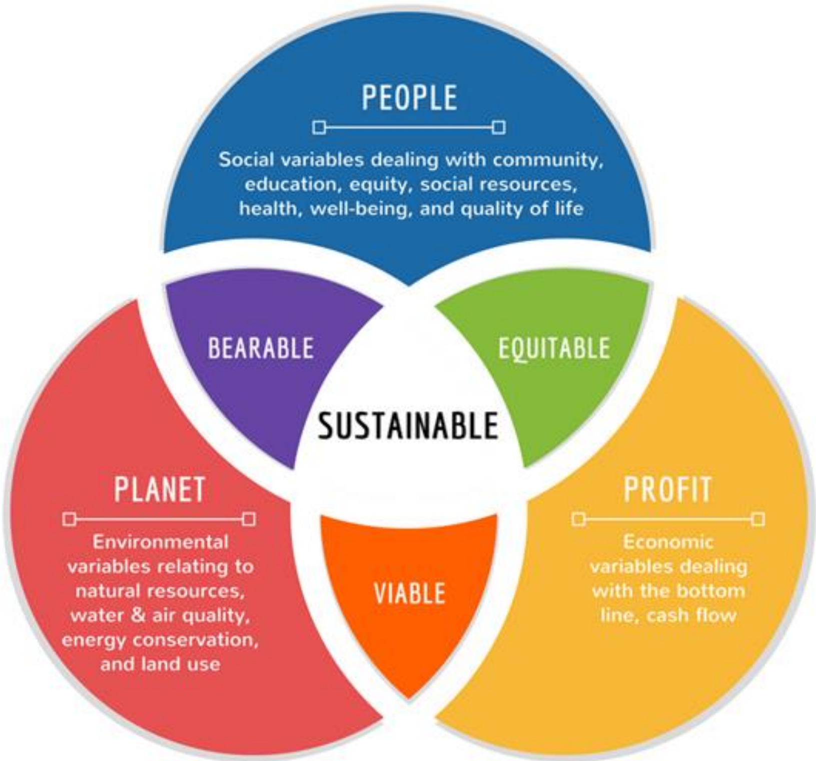

Figure 3.12. – Sustainable development main points [69]

Sustainable development of a resource use model that aims to meet human needs while preserving the environment so that these needs can be met not only for the present, but also for future generations. In many ways, it is about ensuring the quality of life of people.

The “Project” LLC joins the global community in solving environmental problems in the following ways: using only certified materials of a high category, using natural materials whenever possible, minimizing packaging that needs special disposal, saving energy resources, economical use of paper products and water, using high quality fabrics, introduction of innovations in the field of furniture production.

Economic problems. The company makes every effort to maintain production and active operations even under martial law. This helps to save jobs, support businesses in Ukraine, help people who have lost their homes and moved to other cities. The company is developing new projects aimed at improving the quality of life of its employees, increasing the number of jobs, and increasing additional bonus payments.

To date, the economic component is very closely intertwined with the social. Economic support helps people maintain good health, solves the problem of hunger, overcomes poverty.

Some actions of the company to solve social problems:

- takes care of the work schedule of its employees;
- makes it possible to work remotely;
- welcomes the professional development of its employees and their continuous training;
- decent work for women enables them to secure a better future for their families and earn respect in society;
- work with socially responsible suppliers.

CONCLUSIONS AND RECOMMENDATIONS

As a result of our research and analytical work, calculations based on our analytics, we have completed the following tasks:

- identified theoretical and methodological aspects of marketing strategy formation;
- highlighted main criteria of marketing strategy development under crisis conditions;
- provided organizational and economic characteristics of the «Project» LLC;
- analyzed «Project» LLC current activity;
- analyzed marketing environment of «Project» LLC;
- evaluated existing marketing strategy of the enterprise;
- developed alternative marketing strategies for the «Project» LLC;
- made their risk assessment comparison of alternative marketing strategies for the «Project» LLC;
- created updated marketing plan;
- analyzed economic efficiency of new marketing strategy implementation.

As a result of the analysis of the activity of Project LLC, strong and weak sides, threats and opportunities, and of course market, it is possible to develop some advice on developing an updated marketing strategy for the development of an enterprise.

We conducted a detailed analysis of the company's activities and found out that the company is working at the limit of its capabilities: while maintaining existing trends, namely, increasing prices for purchased materials, too much labor costs of the company to serve one client with a small turnover, inability to compete in the furniture production market in the same price segment and with the same potential customers, the company can quickly begin to lose customers, which means to lose profit. That is why we have developed 2 options for new marketing strategies, which should have ensured a stable turnover, maintaining the company's capacity and market share.

According to the results of the study there were formulated and compared alternative marketing strategies for «Project» LLC. One option is concentration on HoReCa niche and another is traditional one, based on mass-market strategy approach, where leadership can be reached by large sales volume with most attractive price. According to all financial and market assessments the marketing strategy “Concentration on HoReCa niche” is more attractive and can be applied by the company.

The first alternative marketing strategy is based on the concentration of the company's capacity on a client with large financial resources, who needs the development of individual furniture, drawings, design services, and who can provide the company with bulk orders.

The second alternative marketing strategy was based on process automation. It was proposed to develop modern standard furniture lines in several materials to choose from. This would help to reduce the labor costs of highly paid employees (designers, constructors) and concentrate on building advertising processes, selling conditionally finished products, stricter pricing policies of the enterprise (saving on product costs and offering a lower price), ensuring sales among the population with incomes below the average.

Because of the growing influence of crisis factors (economic, political and force majeure), the company is recommended to choose a marketing strategy of concentration and niche in the HoReCa market. This strategy has a number of advantages: the speed of reorientation of the company's capacities and the adaptation of the company's employees to a new direction of development. It should also be noted that the team, according to preliminary surveys, is interested in working with public projects - restaurants, hotels, as this is a certain status of the team working on, creativity and the availability of financial resources of the client to implement large-scale projects.

We also calculated the possible risks, and came to the conclusion that the second strategy (concentration on the HoReCa market) is less risky and can provide the company with large sales of products even in the first year.

The advantages of this alternative enterprise development strategy are listed below. New concentration strategy:

- more clearly reflects the values of the company;

- is more acceptable and interesting for the high-class specialists of the company;

- a shorter period of strategy implementation and adaptation of the company;

- have a good initial portfolio;

- return on investment is a year and 2 months;

- there is no need to take additional loans to implement the strategy, which is important in an unstable state of the economy;

- small changes in the staff of the company;

- easy entry into a niche in the market and easy and inexpensive exit;

- high economic performance of the investment project for the implementation of the updated marketing strategy;

- Increasing the productivity of the company's resources.

The developed marketing strategy also takes into account the following points, which are important given the crisis conditions in the country:

- marketing strategy implementation without the necessity to use loans (the company can cover investments from retained earnings and income during the year);
- investments can be phased, and therefore more controllable and understandable in terms of payback and effect on profit;
- investments have a high cumulative effect (clearly visible from the projected income for the next three years);
- quick and relatively easy “entry” into this market niche;
- more productive usage of company resources;
- increasing of "goodwill", and hence the value of the company in the market;

- this marketing strategy helps to develop the values of the company.

Based on the peculiarities of the furniture market, we recommend that the company pays special attention to the development of personnel, automation of communication processes within the company, a clearer description of functional duties and responsibilities among staff.

The use of RACI matrix, special software and programs (for example, from Atlassian) will help make team work more convenient, faster, and data transfer fast and reliable. In addition, the lead project manager will be able to monitor the flow of communications, data transfer and find weaknesses in the course of the project.

The second important point in the implementation of a new marketing strategy is the development of new company values, its goals and ways to achieve them. The company is small, so this component is implemented easily and quickly.

One of the biggest part of expenses in implementing the new marketing strategy is developing the company's brand strength in the niche we want to focus on - restaurants and hotels. For owners of this kind of business, it is important to deal with reliable, self-organized and creative contractors. That is why we recommend active participation in various competitions, preferably in the international format. This will help to strengthen the company in the HORECA niche, increase brand awareness and customer loyalty to it.

Another recommendation is the attention of management to the formation of a portfolio. Significant, successful projects should be highlighted in specialized magazines, pages on social networks, personal pages of designers, architects, etc.

It seems to us that the new marketing strategy we have developed is not only optimal from the point of view of using the company's resources, but also the right one from the point of view of the company's survival and development in a crisis.

The main indicators for determining project effectiveness were: sales revenue, gross margin, EBITDA, net profit, return on sales (ROS), return on investments (ROI), return on marketing investments (ROMI), marketing investments per turnover, return on marketing investments per extra sales, NPV, PI, Payback Period, Profitability of the margin, Profitability of cost of sales.

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