

SOUTHERN FEDERAL UNIVERSITY

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**PROJECT WORK
IN INTERNATIONAL BUSINESS**
Textbook and Study Guide

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The objective of this textbook and study guide, implemented within the framework of the master's program “International Business”, is to prepare students for teamwork in the field of International business using project work skills.

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INTRODUCTION

The objective of this textbook and study guide, implemented within the framework of the master's program “International Business”, is to prepare students for teamwork in the field of International business using project work skills.

To do project work, the student should know:

- modern scientific and theoretical approaches of domestic and foreign scientists to the studied problem, and modern methods of scientific research;
- the structure and functioning of both local and global markets, and international financial institutions;
- modern companies operation basics;
- market research core issues;
- project work management features.

While doing the project work, the student should be prepared to:

- independently adopt new research methods, justify the relevance, theoretical and practical significance of the chosen topic of scientific research, present the results of the study in the form of R&D work;
- carry out research relying on both domestic and foreign sources;
- select and verify rational decisions in the areas of business development, range of products, specialization and cooperation of the company, legal form of business, and applied technological processes;
- evaluate and justify the cost and time at the investment stage of the project;
- plan resource as well as financial, material and personnel support of the investment project, and control the development and introduction of new industrial goods into the market;
- apply methodological foundations of project management;

- identify opportunities for organizing effective project management system;
- develop project work, the student must know the following techniques and methods;
 - apply scientific research methods and rules for using research tools; methods for selecting the necessary materials for the project using modern information technologies; independent work skills with scientific sources;
 - methods of basic socio-economic indicators forecasting;
 - projects developing skills;
 - market research and derived information analysis skills;
 - methodology of organization, planning, management and coordination of labor, financial and material and technical resources throughout the project life cycle;
- basic organization methods in a team work project.

1. UNIVERSITY PROJECT TRAINING

1.1. The Main Principles of Project Work Organization

Modernization of the studies in the process of improving universities has played a special role over the past few years. Such modernization involves introduction of courses for the development of project skills. Students mastering new competencies and skills that enable them to implement complex projects and initiatives are widely supported by teachers and employers¹.

Participation in projects provides students with opportunities to gain experience in project work suitable for their future job, equips them with better understanding of the relationship of the disciplines taught with practice, teamwork skills, and also develops their ability to meet deadlines².

The goal of the project team leader is to develop new competencies among students. These competencies include:

- systemic thinking;
- teamwork;
- project management;
- knowledge of modern means of communication;
- knowledge of methods of economic analysis and organization of marketing activities;
- ability to find competitive solutions to problems;
- ability to promote the results of their professional activities in relevant markets, etc.

The main principles of project work are as follows:

1. *The principle of predictive capability* caused by the very nature of planning focused on the future state of the object. This principle is particularly

¹ Project Training. Implementation Practices at Universities / L.A. Evstratova, N.V. Isaeva, O.V. Leshukov, eds. / Skolkovo Open University, 2018, p. 13.

² Ibid., p. 67.

evident when using design to create innovative products. In this sense, a project can be defined as a step-by-step implementation of a desired future.

2. *Step by step principle*. The nature of the project work involves a gradual transition from the design plan to the goal image formation and the course of action, then to the program of action and its implementation. Moreover, each subsequent action is based on the results of the previous one.

3. *Normalization principle* requires that all project stages pass within the framework of regulated procedures, primarily related to various forms of mental activity organization.

4. *Feedback principle* reminds about the need to get feedback after the implementation of each project procedure, and adjust the actions accordingly.

5. *Productivity principle* emphasizes the pragmatism of project work, which is necessarily oriented towards obtaining practical results.

6. *Cultural analogy principle* indicates the compliance of design results for certain cultural patterns. The pitfall of obtaining a project result that lies outside the cultural field can be avoided if the participants of the project work understand that the individual creativity of a student or a teacher is not self-sufficient. To be included in the cultural process, one needs to learn to understand and feel one's own place in it, to formulate one's own views on the achievements of mankind based on the study of cultural and historical analogues. At the same time, it is important to obtain scientific knowledge and familiarize oneself with cultural values in comparison with own judgments and cognitive activity results.

7. *Self-development principle* concerns both the project subject at the level of the branching activity of the participants, and new projects generation as a

result of the goal reached. Solution of certain problems leads to formulation of new goals and problems that stimulate the development of new design forms³.

The initiative to develop and implement projects may come from scientific and pedagogical workers of the university, students, employers, employees of the internal structures of the university.

Academic adviser:

- approves the task for work on a scientific project with the program manager;
- conducts the necessary organizational measures to fulfill the project assignment;
- defines the general plan of the study, the student’s work schedule and systematically monitors the students' work and practice progress;
- provides advice to students on all issues related to the implementation of the project and reporting on its results (articles, abstracts, scientific reports, course papers);
- recommends special literature and investigation methods.

Students implementing a scientific project receive instructions, recommendations and clarifications on all issues related to the organization and conduction of work from an academic advisor as well as report on the work carried out on the project.

The general structure of the project regardless of its type and subject area includes the following stages:

Motivation and goal setting phase is associated with the procedures for diagnosing and realizing a problem, goal setting and choosing a concept for its solution. A project manager organizes a conversation about an existing or frequently occurring problem situation, encourages project participants to think

³ Kolesnikova, I.A. Pedagogical planning: Textbook for higher educational institutions / I.A Kolesnikova, M.P. Gorchakova-Sibirskaya; I.A. Kolesnikova, ed. / Publishing Center “Academy”, 2005.

about its significance and ways to resolve it at this stage. For this purpose the practical significance of the project is revealed during the conversation. Various options for the report on project results are offered, and a project product is selected.

The planning phase includes a detailed description of the required product that meets the goals, and the search for means of project implementation.

At the planning phase a project manager helps students to distribute roles, to adjust their project planning actions, and monitors this work. The project manager makes sure that specific tasks reflecting the core of the project are formulated, as well as the target dates are indicated. The planning phase is usually carried out in the classroom. In order to help students organize collaboration, the project manager uses techniques of active discussion, activation of critical thinking, and methods of constructive communication in a group. These methods can be represented by brainstorm, round table, morphological analysis, etc.

The project implementation phase implies the execution of the algorithm developed at the previous stage, the direct implementation of the tasks, obtaining the design product.

During this phase the project manager advises the group participants on the fulfillment of their individual tasks, supervises the work of the students in fulfilling the planned project tasks, stimulates the students' search activity, adjusts their actions. The project manager helps to analyze and systematize the received data, helps to formulate conclusions and to make new assumptions in order to solve the problem.

The phase of critical review of the project involves preparation of the project for reviewing and demonstration of the resulting product to an audience.

At the phase of project review, the project manager assists students in designing the product of the project work and preparing the presentation. The

project manager plans a presentation form together with the project participants and anticipates possible questions from the audience.

The verification and evaluation phase of the results includes analysis of the project work, estimation of the extent to which the goal has been achieved and evaluation of the results of activities.

The project manager's work is aimed at ensuring that the project participants comprehend all the work done, that they evaluate their actions and new personal acquisitions. The project manager can fulfill mentioned tasks organizing the mutual evaluation of the finished project products, evaluation of their effectiveness, usefulness and the abilities to resolve the initial problem.

1.2. Types of Projects

Types of projects grouped by students' main activity types:

Research projects follow the logic of research completely and have a structure that coincides with the structure of scientific research. They require well-thought-out goals, formulation of the hypothesis with its subsequent verification, thought-out research methods, experimental and development work, methods of processing the results.

Research projects deepen students' theoretical and practical knowledge of the studied disciplines. They also instill independent study skills in them, as well as teach students how to select, examine and generalize data, and how to formulate their own theoretical ideas. Research projects organization forms generally depend on the goals and objectives of the study. The study results are presented in the form of an article, report, course paper, graduation thesis, etc.

Applied (practice-oriented) projects are aimed at the practical application of the acquired knowledge and development of new competencies during the process of direct accumulation of practical experience. Such projects are aimed at the development of new ways and / or directions for solving the identified problem. However, the proposed developments should be based on the evidence

obtained through empirical research, calculations, experiments, etc. The result of the project work is formalized in the form of a specific product containing practical, analytical, methodological and other kinds of student work. An applied project can be presented in various forms: practice-oriented course paper, graduation thesis, laboratory workshop, preparation and participation in professional competitions, participation in educational, social, sport projects of scientific, cultural, and sports institutions.

Types of projects grouped by the subject area:

- monoprojects, which are limited to an area of knowledge, although information from other subject areas can be used;
- interdisciplinary projects, which cover several subject areas and are characterized by an integrated approach to design-related problem solving.

2. BASIC STAGES OF THE PROJECT WORK IN THE MASTER'S PROGRAM "INTERNATIONAL BUSINESS"

2.1. Project Goals and Objectives

"**International business** means the specific production and economic activities of groups of companies, firms and enterprises that have common economic or business interests covering two or more states, or the economic activity of the parent company home countries and its foreign affiliates or subsidiaries and affiliates"⁴.

Project goal: calculation and analysis of the main indicators of external trade of the Rostov region (exports, imports, foreign trade turnover, trade balance), calculation of per capita indicators of external trade, the openness of the economy to external trade activities, analysis of the geographical and commodity composition of external trade.

Project Objectives:

1. Analysis of the export potential of the region.
2. Coming up with a product or service from the *selected region* which will be competitive in the world market.
3. Market research of countries planned for the supply / offer of the given goods or services.
4. Making a presentation of the product / service.
5. Making a report on project work.

2.2. Analysis of Region's Export Potential

1. Select a region of Russia (a federal subject of the Russian Federation) for evaluation.
2. Fill in the tables with statistical and calculated data⁵ for 2018 (Table 1-5).

⁴ Pavlov, P.V. International Business: Textbook / Publishing House of Southern Federal University, 2019, p.13.

⁵ Information Portal of the Federal State Statistics Service (Rosstat): www.gks.ru.

3. Make a text analysis of the features of external trade of the subject of the Russian Federation (1-2 pages).

Table 1

External Trade Indicators of the Subject of the Russian Federation

Indicator	Total, USD in millions	Percentage share, %	Inc. outside SIC, USD in millions	Percentage share, %	SIC, USD in millions.	Percentage share, %
Region export						
Russian Federation		100		100		100
Region import						
Russian Federation		100		100		100
Region trade turnover						
Russian Federation		100		100		100
Region balance of external trade						
Russian Federation		100		100		100

Table 2

External Trade Indicator Per Capita

Indicator	Value		Per capita	
	Subject of Russian Federation	Russian Federation	Subject of Russian Federation	Russian Federation
Population, people				
Import, USD in millions				
Export, USD in millions				
Balance, USD in millions				
Turnover, USD in millions				

Table 3

Indicators of Region Openness

Indicator	Equation	Subject of Russian Federation
Region export ratio (RER)	$RER = (EV : IPC) \times 100$	
Region openness (RO)	$RO = [(EV \times PPP) : (2 \times \times GRP)] \times 100$	

Note:

EV – export value, USD in millions;
 IPC – industrial products cost, USD in millions;
 PPP – purchasing power parity, RUB/USD.
 GRP – gross regional product value

Table 4

Region Export Commodity Structure

Export commodity structure	Commodity export		Commodity share in export pattern	
	Region, USD in millions	Russia, USD in millions	Region, %	Russia, %
TOTAL			100	100
Food commodities and raw materials				
Fuel and energy sector				
Petrochemical complex production				
Wood				
Ferrous and non-ferrous metals				
Engineering goods				
Miscellaneous goods				

Table 5

Region Import Commodity Pattern

Export commodity pattern	Import commodity pattern		Commodity share in import pattern	
	Region, USD in millions	Russia, USD in millions	Region, %	Russia, %
TOTAL			100	100
Food commodities and raw materials				
Fuel and energy sector				
Petrochemical complex production				
Wood				
Ferrous and non-ferrous metals				
Engineering goods				
Miscellaneous goods				

2.3. Main Types of Product Competitiveness Analysis

Strategic analysis is a process of research and evaluation of the company's activity and market, as a result of which the company receives the necessary information to develop a long-term competitive strategy.

A properly prepared strategic analysis of the company helps to make better management decisions and reduces the risks of operation in the industry.

The main tools of strategic analysis are SWOT analysis, PEST analysis, and Porter's five forces analysis. Features of their use are presented below.

SWOT analysis features

The SWOT analysis method is a universal strategic management technique. The object of a SWOT analysis can be any product, company, store, factory, country, educational institution, etc.

The advantage of SWOT analysis lay in the fact that it provides for quite a simple way of the estimation of the company, product or service position in the industry, and therefore is the most popular tool in risk management and management decision making.

Elements of SWOT analysis are as follows:

S=Strengths

Strengths of a product or a service. These are such internal characteristics of the company that provide for a competitive advantage in the market, or a better position in comparison with competitors. In other words, it indicates those areas in which the company's goods have a better status than competitors' status.

The importance of strengths for the company in strategic planning is that it can increase the level of sales, profits and market share. Strengths ensure the advantageous position of a product or service compared to competitors, but they must be constantly enhanced, improved, and used in communication with the consumers.

W=Weaknesses

Weaknesses, or shortcomings of a product or service. These are such internal characteristics of the company which hinder the business growth, prevent the product from leading the market and make it uncompetitive in the market.

The importance of weaknesses for the company in strategic planning lays in the fact that the weaknesses of the company hinder the growth of sales and profits, pulling the company back. Due to weaknesses, a company may lose market share in the long term and lose competitiveness. It is necessary to monitor areas in which the company is not strong enough, improve them, develop special programs to minimize the risks of weaknesses affecting the company's performance.

O=Opportunities

The company's capabilities are external favorable factors that may affect future business growth. The importance of market opportunities for the company in strategic planning is that they represent the sources of business growth. Opportunities need to be analyzed and evaluated, which leads to the development of an action plan for their use with regard to the company's strengths.

T=Threats

Threats to the company are negative external factors that can weaken the company's competitiveness on the market in the future and lead to lower sales and loss of market share. The importance of market threats to the company in strategic planning is that threats indicate the company's potential risks in the future. Each threat should be evaluated in terms of occurrence probability in the short term and in terms of possible losses for the company. Against each threat, solutions should be proposed to minimize them (Table 6).

Table 6

SWOT Analysis Table

Strengths	Weaknesses
Opportunities	Threats

It is desirable to specify the factors in order of priority in the SWOT analysis table.

Step one: identify the strengths and weaknesses of the product

The first step in SWOT analysis is to identify the strengths and weaknesses of the product or service. To do this, make a comparative analysis of the internal resources of the company or product with key competitors:

Those parameters that turned out to be better than those of competitors' are the strengths of your product.

Parameters that turned out to be worse than those of your competitors' are the weaknesses of your product (Table 7).

Table 7

Example Analysis of Strengths and Weaknesses

Key success factors of the company, goods or service	If the factor is better than the competitors', it is a strength	If the factor is worse than the competitors', it is a weakness
Factor 1	x	
Factor 2		x
Factor n	x	

Step two: identify the threats and opportunities for business growth

The second SWOT analysis step is identification of the opportunities and threats for future business growth. An analysis of external environmental factors is carried out, the level of influence of each factor on the company's sales and the probability of its occurrence is estimated in order to perform the second step.

Step three: make a SWOT analysis table

A SWOT analysis table helps to structure all the information received. The table consists of four quadrants. Strengths, weaknesses, opportunities and threats are sequentially listed in the quadrants. All the factors found are entered into the cells (Table 8) in order of importance (from the most important to the least important). The importance of the factor is determined by its contribution to the sales volume and profit of the company.

Check if the found strengths of the product really increase the profit and competitiveness of the company's product:

Table 8

Strengths Check

Strengths description	How do strengths increase customer satisfaction or business profitability?	How do strengths influence the difference between a product and competitors' products?
Strength 1		
Strength 2		
Strength n		

Check if the recognized weaknesses of the goods reduce the profit and competitiveness of the company's product (Table 9):

Table 9

Weaknesses Check

Weaknesses description	How do weaknesses decrease customer satisfaction or business profitability?	How do weaknesses influence the difference between a product and competitors' products?
Weakness 1		
Weakness 2		
Weakness n		

Check if the recognized possibilities can increase the profit and competitiveness of the company's product (Table 10):

Table 10

Possibilities Check

Possibilities description	How do possibilities increase customer satisfaction or business profitability?	Possible deadlines for the implementation of the opportunity
Possibility 1		
Possibility 2		
Possibility n		

Check if the recognized threats can reduce the company's profit and product satisfaction in the next 5 years (Table 11):

Table 11

Threats Check

Threats description	How do threats decrease customer satisfaction or business profitability?	Possible threat emergence time
Threat 1		
Threat 2		
Threat n		

Step four: conclusions

When compiling a SWOT analysis, it is necessary to describe the answers to the following questions:

1. What are the ways to develop company capabilities using product strengths?
2. How may weaknesses be transformed into strengths, and threats into growth opportunities?
3. If such transformations are impossible, how can the company avoid weaknesses and threats, or minimize their impact?
4. How to make the recognized benefits obvious to the consumer?
5. How to hide weaknesses from the consumer?
6. How to realize opportunities and neutralize threats in a short time?

PEST analysis features

“The most successful method is the classification of environmental factors depending on the impact on the international business of the company, i.e. **PEST**

analysis (*Political, Economic, Sociocultural and Technological factors*) of the company”.⁶

“**Political factors.** Various political risks may threaten the investment forms of entering the foreign market. Political risk is present in any country, but its level and types vary. The main types of political risk are: *property risk* (the property of the company and the lives of employees are at risk); *operations risk* (interference of the receiving state into the company’s activities on the territory of this state, e.g. the requirement for the level of localization of production for the company producing cars); *transfer risk* (problems of transferring profit abroad, currency control)”.⁷

“The degree of risk of international entrepreneurial activity in a given country is determined by political stability. The level of political risk is higher in countries with unstable political situation, when a change of power (no matter via elections or resulting from a military coup) may lead to a change in attitude towards foreign companies. As an example, let us cite the nationalization of American oil-producing companies by the government of Hugo Chávez in Venezuela. Other threats: blocking accounts of a foreign company, establishing import quotas (up to a ban on imports, e.g. the USA and Germany to Russia meat imports ban in February 2013), or introducing new taxes (or changing their rates), introducing new customs fees”.⁸

“The nature of business is influenced by the type of legal system of the host country, especially if it differs from the company’s country of origin. The main types of legal systems include customary law, based on the traditions and customs with a large role of the judiciary in the application of law (the USA, Commonwealth countries); civil law, which is based on detailed written laws,

⁶ Pavlov, P.V. *International Business: Textbook* / Publishing House of Southern Federal University, 2019, p. 22.

⁷ *Ibid.*, p. 25.

⁸ *Ibid.*, p. 25.

summarized in the code (Germany, France, Russia); theocratic law based on religious covenants (for example, Islamic law)".⁹

"To enter a foreign market, a company needs to know the laws governing the FEA of both its own country and the countries potentially targeted for its penetration, as well as their internal legislation governing business activities. Very often there are legal differences between the lands (counties) of one country. Thus, in certain states of the USA or in the lands of Germany there are various legal norms that should also be taken into account".¹⁰

"In the event of a conflict between the parties, which are economic entities of two different countries, the question arises, which country's laws should be followed when it is resolved. Even at the stage of signing of an international contract, it is recommended to agree on whose national law partners will be guided in the event of a dispute. If there is no such clause in the contract, then the parties to the conflict must either follow the laws of the country in which the agreement was concluded or the country in which the contract will be executed. International practice shows that usually companies strive to prefer reconciliation and arbitration resolutions in order to resolve disputes more quickly. Arbitration procedures are often negotiated in contracts and usually provide for an impartial Mediator".¹¹

Economic factors. "Among the positive ones, we note a favorable investment climate, information support, creation of free economic zones, tax incentives. At the same time, import duties, non-tariff restrictions (for example, quotas, phytosanitary control measures, higher standards for products, etc.) may limit the market access factors".¹²

"In the modern world, states are connected by an extensive network of mutually beneficial contracts and agreements, which, however, is not yet all-

⁹ Pavlov, P.V. International Business: Textbook / Publishing House of Southern Federal University, 2019, p. 25.

¹⁰ Ibid., pp. 25-26.

¹¹ Ibid., p. 26.

¹² Ibid., p. 26.

embracing. When planning a business abroad, it is useful to find out whether the target country is related to the country of origin of the company by agreements on waiver of double taxation, mutual support of investments, preferences in trade, etc.”¹³

“Today, many countries are members of regional integration groupings on various continents, for example, the European Union (EU), North American Free Trade Area (NAFTA), Southern Common Market (MERCOSUR), The Eurasian Economic Union (EAEU), the Economic Community of Western African States (ECOWAS), the South African Customs Union (SACU), and bilateral free trade agreements. Knowing their main characteristics, as well as the content of the agreements on economic issues is important when entering the markets of countries of the integration group. This is important both in case when the company is a representative of a country that is not in this integration group, and if the company’s activity extends to two or more countries belonging to the integration grouping”.¹⁴

“The international business of the company is influenced by a combination of factors associated with geography, terrain and climate characteristics. In particular, these include such factors as location of the country, climatic features, natural conditions, current state of environment protection”.¹⁵

“The remoteness of the target foreign market entails additional transport costs, and sometimes reduces awareness of the specifics of a given country. The latter, in particular, can be explained by the fact that many companies initially enter the markets of countries neighboring the region”.¹⁶

Sociocultural factors. “Concerning entering the consumer goods markets of targeted foreign countries, we need to note that culture manifests itself in the existence of relatively sustainable forms, consumption patterns. For the

¹³ Pavlov, P.V. International Business: Textbook / Publishing House of Southern Federal University, 2019, p. 26.

¹⁴ Ibid., pp. 26-27.

¹⁵ Ibid., p. 27.

¹⁶ Ibid., p. 27.

establishment and development of contacts with foreign partners, the development of communicative policies, cross-cultural communications, it is of interest to look at culture as an aggregate of stable forms of social interaction fixed in norms and values, means of communication often transferred from generation to generation”.¹⁷

“In the international business of a company, such *elements of culture* as language, religion, norms, customs and traditions can have a special practical value. The *verbal language* includes a system of phonetic or graphic characters, organized respectively into speech or writing. It is especially important to avoid mistakes when translating trademarks, advertising messages, labels, instructions, etc. *Nonverbal language* includes the concept of *time and distance* when communicating, and also sign language. Thus, a number of cultures are more than others inclined to set deadlines, to follow tight schedules. Thus, punctuality seems to matter much to American businessmen, whilst signing even a simple agreement may take up to several days in the Middle East. An example of the differences in sign language is the fact that nodding in Japan definitely does not indicate acceptance of the ideas of the interlocutor”.¹⁸

“Regarding the factor of *religion* (or beliefs and convictions), we note that most cultures are rooted religion. However, the existence of world religions can create the basis for transcultural similarities in Islam, Buddhism or Christianity (such as religious holidays, and ban on the use of certain food products)”.¹⁹

“In every society there is a system of *values, norms, and relations*, transmitted by both formal and non-formal education systems, for example, national cuisine and its flavors, attitudes to the role of women in society. It is

¹⁷ Pavlov, P.V. International Business: Textbook / Publishing House of Southern Federal University, 2019, pp. 27-28.

¹⁸ Ibid., p. 28.

¹⁹ Ibid., pp. 28-29.

known that in Russia older people prefer bitter dark chocolate, while in Germany consumers of all ages prefer milk chocolate”.²⁰

“The second component of the considered block of factors of the external environment includes social factors. Here one can evaluate the structure and role of social institutions that are characteristic of a given country (family, educational institutions, reference groups, parties and movements, clubs and societies). Each of these institutions can influence behavior of customers, their values and lifestyle. Next, it is necessary to note the social structure of the society of a given country, the differences in consumption between classes and social strata that arise from it, as well as in the forms of social interaction”.²¹

Technological factors. “Assessment of the attractiveness of a country as a target market, as well as the order of its development (strategies for processing external markets) is tightly connected with analyzing information on indicators such as the degree of use in a given country of technologies in manufacturing products and services, the share of high-tech industries in the industry economies, the volume of imports and exports of high-tech products and services, their share in export and import, the share of qualified personnel. This implies the country’s need to import new technologies for its own production or import of already finished high-tech products”.²²

“The development of new technologies contributes to the expansion of international business, in particular the penetration of the Internet and telecommunications in all areas of activity in all regions of the world. One example is a widely known fact that the availability of databases on target markets makes it much easier to conduct research and forecasting on target markets. Competitive analysis has become easier, as sufficient amount of information on the companies’ market activities, their assortment policies is now

²⁰ Pavlov, P.V. International Business: Textbook / Publishing House of Southern Federal University, 2019, p. 29.

²¹ Ibid., p. 29.

²² Ibid., p. 29.

available on the companies' websites. Financial information for investors can predict the prospective structure of a market and the position of the analyzed company in the market".²³

Five competitive forces of M. Porter

"The theory of **Michael Porter**, a famous American economist from Harvard University, provides answers to many questions. Porter's approach is to view a country's competitiveness from the perspective of the competitiveness of companies representing the country in the global market, because ultimately a country's national income is created by its manufacturing companies, and international trade essentially redistributes the product created by competitive firms in the competitive industries of different countries. The success of the national economy development *depends on the activities of a certain core of companies that are internationally active*. To be successful in competition, firms must have one of two advantages: either they must have low production costs, and therefore low prices, or they must differentiate the quality of the product based on a high level of prices. Porter notes that no country in the world can be competitive in all positions, and even in the most prosperous countries not all industries and not all companies can simultaneously prosper. Consequently, the country must specialize in the most competitive segments of the economy, and less efficient industries can either be moved abroad, or they should be abandoned altogether".²⁴

Porter proposed a "diamond" model that reflects the scheme of factors (determinants) of national competitive advantage (Fig. 1). "They are presented in the form of facets of the "diamond" rhombus. "Diamond" is used to indicate its ability to spread and enhance the influence of one facet (characteristic) of the rhombus on the others. The answer to the question why a country is making

²³ Pavlov, P.V. International Business: Textbook / Publishing House of Southern Federal University, 2019, pp. 29-30.

²⁴ Ibid., pp. 95-97.

progress in a particular area is four components (properties) that form the environment in which companies operate (compete). This environment can both facilitate and hinder the creation of competitive advantage. These four determinants are:

1. factor conditions;
2. demand conditions;
3. related and supporting industries;
4. firm strategy, structure and rivalry”.²⁵

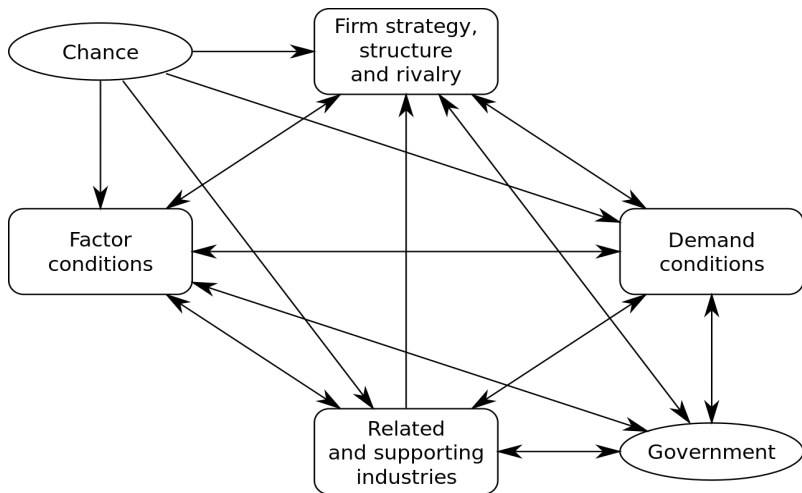


Fig. 1 – Porter’s “diamond” model

“Let’s consider these determinants in more detail. Concerning **factor conditions**, the factors are divided into the main (primary), which the country gets from nature (climatic and natural resources, geographical location, unskilled labor, etc.) and developed (secondary), which appear as a result of the development of production (infrastructure, technology, knowledge, highly

²⁵ Pavlov, P.V. International Business: Textbook / Publishing House of Southern Federal University, 2019, p. 102.

qualified personnel). Only developed factors provide a country with competitive advantage that is difficult to copy to competing countries”.²⁶

“Factor conditions are also divided into *general* (universal) and *specialized* (specific). *Specialized* factors require significant investment and are difficult to duplicate in competing countries (insurance companies, medical libraries, mortgage banks, highly skilled labour). The presence of a large number of common and core resources makes the competitiveness of such a country imaginary, illusory”.²⁷

“It should be noted that in science-intensive sectors of the national economy the main factors do not give any advantages. These factors can be easily obtained in any other country of the world. Specialized factors are the most difficult to duplicate; they are difficult for foreign competitors, and require significant investment. It is interesting that the lack of certain main factors stimulates the technological development of the country, generates thrift and rationality of management”.²⁸

“Thus, the initial weakness of the state deprived of natural resources and population may well turn into its strength in competition, as it encourages companies to innovate and improve. Lack of natural resources initiates the inventiveness of scientists, the optimal use of a limited set of available natural wealth. Conversely, if the country has an excess of the main factors, if they are inherited from previous generations as a natural gift, without additional efforts to increase them, it often leads to the waste of resources and their depletion”.²⁹

“The main conclusion that can be drawn with regard to factor conditions is that sustainable competitive advantage gives a country the presence of both developed and specialized factors. Other factors can create the illusion of a

²⁶ Pavlov, P.V. International Business: Textbook / Publishing House of Southern Federal University, 2019, p. 103.

²⁷ Ibid., p. 103.

²⁸ Ibid., pp. 103-104.

²⁹ Ibid., p. 104.

country's phantom competitiveness, which can be quickly intercepted by competing countries with a similar set of main and common factors. Thus, it is necessary to be very careful about the factors bestowed by nature, and to work on the artificial creation of factors that give sustainable competitive advantage".³⁰

"Speaking about the second determinant – *demand conditions* – it should be noted that the value is not the volume of domestic demand, but its quality. The national market can be relatively small, and the demand can be huge, thanks to the high level of income of the population, and advertising policy. The quality of the consumers themselves is important. Demanding and informed consumers force manufacturers to constantly improve, introduce new technologies, and improve the quality of the product".³¹

"With regard to the third determinant – *related and supporting industries* – Porter draws attention to the fact that the development of individual industries contributes to the prosperity of related industries. For example, *IBM* has caused the emergence of such giants of the global computer industry as *Microsoft*, *Intel*, *Netscape*. Mutual cooperation of related companies allows to implement joint projects, contributes to the emergence of alliances, and, consequently, transaction costs are reduced, exchange of information between specialists of different industries is enhanced. According to Porter, not only individual industries become competitive, but "bunches" of industries, clusters in which companies are integrated vertically or horizontally. For example, in Sweden, all areas of activity related to metalworking are developed: the production of steel, various tools, industrial and electrical equipment, cars (*SKF*, *Scania*, *Volvo*, *Elektrolux*, *ABB*)".³²

³⁰ Pavlov, P.V. International Business: Textbook / Publishing House of Southern Federal University, 2019, p. 104.

³¹ Ibid., p. 104.

³² Ibid., pp. 105-106.

“The fourth determinant – *firm strategy, structure and rivalry* – covers the goals, strategies, and ways of organizing companies that are very different from each other in different countries. The way the firm is managed and the style of management depends on the national characteristics of a particular country. No system is universal, but it must match the sources of competitive advantage. For example, in Germany large companies in industries with a high level of technology are the most competitive, and in Italy small and medium-sized firms, family ownerships are leaders. It is also important which spheres of activity are prestigious in the country, which branches are branches of national pride. The most prestigious professions in the USA are medicine, law, financial services, microbiology, and computer industry. It is not surprising that the USA can be proud of success in these industries. In addition to the four determinants, there are two variables in the “diamond” that can either enhance or weaken these four determinants – chance events and government policy”.³³

“*Chance events* include events that are not directly related to the conditions of the country’s development. Neither companies nor the national government can influence such events, but these events change the balance of power in the national economy. Chance events include political decisions by foreign governments; wars, epidemics, natural disasters; inventions and major technological changes; abrupt changes in resource prices; global financial markets turmoil, etc.”.³⁴

“Chance events include:

- acts of pure invention (absolutely unpredictable);
- major technological discontinuities (e.g. the emergence of the Internet);
- discontinuities in input costs;
- significant shifts in world financial markets or exchange rates;

³³ Pavlov, P.V. International Business: Textbook / Publishing House of Southern Federal University, 2019, pp. 106-107.

³⁴ Ibid., p. 108.

- surges of world or regional demand;
- political decisions by foreign governments;
- wars”.³⁵

“It is obvious that the crisis of 2008-2009, which became global, was largely unpredictable. Since this crisis started in the US mortgage market, first of all, it had a negative impact on the US construction sector, after which the crisis was transferred to the construction sector of most of the leading countries of the world. Consequently, companies whose international business was focused on the construction industry were among the losers. In particular, such elevator and escalator manufacturers as *OTIS*, *Schindler*, *Thyssen* suffered due to a significant reduction in housing and commercial construction in the market of Western Europe during the crisis period. On the contrary, due to the fact that the governments of many leading countries of the world allocated huge financial resources to fight the crisis, including large-scale infrastructure projects, among the companies that benefited from the effects of the crisis were the companies that carried out relevant contracts for state orders. For example, the German concern *Siemens* expanded the production of high-speed trains and commuter trains (known in Russia as *Sapsan* and *Lastochka*), the demand for which has increased due to the fact that the state-associated Railways of China and Russia began to buy in large quantities from Siemens railway rolling stock. Large discounter airlines, such as *Ryanair* or *Easyjet*, which increased the volume of passenger traffic during the crisis and post-crisis periods, also benefited”.³⁶

“Another variable – **government policy** in various sectors of the economy and spheres of society (tax, foreign trade, monetary, exchange rate, structural, etc.) can also affect the balance of power and priorities of the national economy. Porter draws attention to a serious problem in the relationship between private

³⁵ Porter, M.E. The Competitive Advantage of Nations // Harvard Business Review, 68, 1990.

³⁶ Pavlov, P.V. International Business: Textbook / Publishing House of Southern Federal University, 2019, pp. 108.

business and the state: the temporary discrepancy between the public policy objectives and business tasks. Public policy is more focused on the interests of voters (who do not like to wait long) and on the interests of politicians (elected for a relatively short term). Consequently, the government's decisions are more of a short-term nature, and it is difficult to talk about the long-term strategy of the state. Short-term decisions of the government, as well as short-term wishes of shareholders only "irritate" business. Thus, according to Porter, the basis of competitiveness of the national economy is product and industry competitiveness, which is measured by labor productivity in the industry, i.e. competitiveness at the micro level determines competitiveness at the macro level".³⁷

³⁷ Pavlov, P.V. International Business: Textbook / Publishing House of Southern Federal University, 2019, pp. 109.

3. DOCUMENTING OF PROJECT WORK RESULTS

The completed project must be formalized in a certain way and presented to the project manager for evaluation as part of the “International Business” educational program.

3.1. Project Content Requirements

1. Brief description of the product / service: name, specifications, image, description, purpose, etc.
2. Analysis of goods / services according to Porter's Competitive Diamond in the *domestic market*:
 - factor conditions for the production of goods / services;
 - conditions of domestic demand;
 - related and service industries;
 - intra-industry competition.
3. PEST analysis of the production and sale of goods/services in the world market.
4. SWOT analysis of the production and sale of goods/services in the *world market*.
5. Marketing research of foreign markets (type of market, the possibility of using goods, services, competitor goods/services, etc.).
6. Methods of pricing and promotion of goods/services in foreign markets. These skills are acquired by master degree students in the business game “International Goods Trade” (Annex 1).

The project is supported by a presentation. The amount of presentation slides is no more than 20.

Presentations should be made using *Microsoft PowerPoint* or *Prezi*.

3.2. Requirements for the Project Work Results Documenting

The results of project work are formalized as a term paper containing three sections: introduction, main part and conclusion.

The introduction includes the problem statement, the relevance of the chosen topic, goals and objectives of the study.

The main part includes: theoretical and analytical components, and a description of the study according to the sections indicated in the presentation.

The conclusion has the main findings on the prospects for the production and sale of goods/services in the world market.

The total volume of term paper does not exceed 35 A4 format sheets, font 14, line spacing 1.5.

A sample is to be found in Annex 2.

3.3. Project Team Member Requirements

Requirements for project team members.

Project work module is done in a team of 2 to 5 master undergraduates.

Teamwork (division of responsibilities, selection of research work areas, presentation and report) is organized by students independently. Each of the group members is responsible for their part of the report, and presents it independently as part of the team's overall presentation.

4. PROJECT EVALUATION CRITERIA

An essential point in the design and implementation of a project is an assessment of its effectiveness. Assessment type depends on the project type, on its topic, purpose, project objectives, and implementation conditions (Table 12).

Table 12

Project Evaluation Criteria	
<i>Project part</i>	<i>Evaluation criteria</i>
Problem statement and its validity, goals and objectives formulation	<ul style="list-style-type: none"> – relevance, theoretical and practical significance of the problems brought up; – correctness of study goals and objectives, their relevance to the stated topic and content; – reasonability of the study scope.
Development and documentation of the project	<ul style="list-style-type: none"> – volume and completeness of development, independence and completeness of the proposed solutions; – consistency, interconnection and coherence of the stages of the project; – creativity level, originality of topic, of approaches and proposed solutions; – argumentativeness of the proposed solutions, approaches, conclusions; completeness of the bibliography; citation; – report quality: design, compliance with standard requirements, rubrication and structure of the text, quality of sketches, diagrams, drawings.
Project result	<ul style="list-style-type: none"> – prospects for the project development after the completion; – compliance of the expected/planned result with the received product; – objectives' achievement extent.
Results presentation, critical design review	<ul style="list-style-type: none"> – clarity, consistency and professionalism of the presentation of the project results; – clarity and structure of the presentation; – the ability to use professional vocabulary and conceptual framework correctly; – complete, well-reasoned answers to questions, the desire to use the answers for the successful elaboration and enhancement of the topic.

A set of criteria can be supplemented and adjusted. Criteria can be used as instructions that show what needs to be done to achieve the best results. Moreover, the project assessment is performed at the stage of presentation and critical reviewing of the project, at the intermediate stages of its implementation.

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ANNEXES

Annex 1. Business Game “International Goods Trade”

Goal: to teach participants how to carry out operations on international trade in goods at the level of organizations and regulatory bodies.

Game rules: participants are divided into teams. Each team represents international economic relations participants and customs authorities. Interacting with one another, the teams try to go through the main stages of international exchange of goods – from drafting contracts of sale and transportation of goods to customs clearance in the country of import (Russian Federation).

Membership: the leader is a teacher who has mastered the game technique; participants form several teams.

Team: participants of the international exchange process are: exporter (buyer), importer (seller), international carrier of goods, customs broker, customs officers.

Game result: understanding of the procedure of international operations on sale, import and customs clearance of goods.

Game setup: The Russian Federation conducts active foreign trade with foreign countries. Domestic entrepreneurs buy from abroad cars, equipment, machines, raw materials, and other means for carrying out production. Some entrepreneurs also purchase finished products for their direct sale in Russia. A number of domestic enterprises sell their products abroad. Naturally, in order to carry out these transactions between Russian and foreign companies or entrepreneurs, there must be some kind of agreement that would indicate the name of the supplied products and other conditions. All these data are contained in the contract (treaty, agreement).

The contract is an agreement between two or more persons on the establishment, amendment or termination of civil rights and obligations (Civil Code, Art. 420). Civil legislation of the Russian Federation provides for various

types of relations between the parties carrying out various activities: purchase and sale, exchange, gift, rent, lease, rental of premises, free-of-charge use, contracting, transportation, freight forwarding, loan and credit, etc. One of the most common contracts in foreign trade is international sale contract that implies the transfer of ownership of the goods from seller to buyer.

The agreement serves as the main commercial document defining and determining the relations of participants and the main means of regulating business relations in the sphere of foreign trade.

According to the Russian law, international sales transactions are concluded only in writing (Civil Code, Art. 162).

The international sale contract must contain a number of necessary conditions. These conditions can be separated into different sections of the contract, but each of them must be taken into account when concluding the contract of sale. The structure and the sequence of contract sections may vary. It depends on the nature of the goods and the terms of the contract. The approximate structure and content of the articles of the contract of sale are as follows.

1. Name and number of contract. It should be noted that the name of the contract should correspond to the essence of the relationship and determine the type of contract in each case. The contract number is assigned by the agreement of the parties in the order of documents registration by one of the parties, most often at the place of the contract. In some cases, the number may contain registration data of two parties, i.e. it can be double.

2. Preamble and definition of parties. The drafting of the contract must begin with the indication of the place and date of its signing, as well as with the designation of the parties.

3. Subject of the contract. In this section of the contract, it is necessary to clearly establish the set of actions that determine the type and nature of the

conditions of the transaction, i.e. the object of the contract. Namely, these actions and conditions are: buying, selling, renting, contracting, guaranteeing, services, technology transfer. The subject of operations is indicated in the same section. The full commercial name of the goods, assortments, sizes, models, completeness, country of origin of the goods and other data necessary to describe the goods, including links to international and/or national product standards are indicated. In addition to a detailed description, there may be used brand and trademarks, logotypes, GOSTs (State Standards), specifications necessary for subsequent identification and classification of goods.

4. Quantity of goods. The quantity of goods to be transferred to the buyer is provided by the sale contract in the appropriate units of measurement or in monetary terms. The procedure for determining the amount of goods may be agreed upon in the contract. If the sale contract does not provide for determining the amount of goods to be transferred, the contract is not regarded as concluded (Civil Code, Art. 465).

When determining the quantity of goods in the contract, the parties must agree on:

- quantity measurement units;
- system of measures and weights;
- the procedure for establishing the quantity.

5. The quality of the goods. This section of the contract stipulates the type of document confirming the quality of the goods delivered. A reference is possible to the attached quality certificate issued by the manufacturer or an independent competent organization.

According to the customs legislation of the Russian Federation, goods subject to mandatory certification must have a certificate and a mark of conformity issued or recognized by an authorized body when importing into the

customs territory. Certificates of conformity are submitted to the customs authorities together with the customs declaration.

Apart from the certificate of conformity, the quality of goods imported into the Russian Federation can be confirmed by permissions of other regulatory state bodies.

6. Price and payment terms. The price is indicated in the contract in monetary units of a certain currency for a specific measurement unit of the goods. The choice of measurement unit for which the price is set depends on the nature of the product and on the world market sale practice for this product. When delivering goods of different quality and assortment, the price is set separately for a unit of each type, grade, and brand.

When fixing the price of goods in a contract it is important to determine its basis with respect to the place of delivery. The price basis establishes whether it includes expenses related to the shipment of cargo, transit insurance, cargo handling, storage, including packaging and labeling expenses. The price basis is determined by the application of the corresponding term according to INCOTERMS-2020 indicating the point of delivery of the goods.

The currency in which the price of the sold goods is set is called the currency of the price.

When considering the terms of payment, the following points are usually established: the currency of the payment, the method and procedure for calculating the payment for the delivered goods, the list of documents submitted for payment, protective measures against unjustified delay in payment or other violations of the contract.

A payment currency is a currency in which a payment for goods is made, and it may or may not coincide with the currency of the contract price. If the payment currency coincides with the price currency, then during the execution of the contract the contracting parties do not need to exchange currencies. If the

currency of the price and the currency of the payment do not match, then the contract should specify the conversion rate and the method of determining it.

Parties usually set specific payment dates in a contract. If the dates are not set directly or indirectly, then the payment is made in a certain number of days after buyer's receipt of confirmation that the goods have been placed at their disposal. Under other conditions of delivery, the payment is made in a certain number of days after the buyer is notified of the shipment of goods (depending on commercial customs accepted in international practice).

In the international trade business practice, five main forms of payment for the delivered goods are widely used:

- cash payment (payment by invoice);
- cheque payment;
- payment by drafts;
- letter of credit;
- collection of payments.

The place of payment of the price may be important with regard to the fulfillment of the buyer's main obligation in conditions of strict state regulation and control of transfer of foreign currency funds abroad in some countries. Therefore, counterparties must choose the place of payment that is minimally affected by this regulation.

7. Basic terms of delivery. The basic delivery terms determine the seller's and buyer's responsibilities for the delivery of goods, the moment of transfer of the goods accidental loss risk from the seller to the buyer, and the numerous costs distribution between them associated with goods transportation. They are expressed in certain terms, the explanation of which is given by the International Chamber of Commerce in the International Rules for the Interpretation of Trade Terms (INCOTERMS). These conditions are called basic because they establish

the basis of the price of the goods, depending on whether or not transportation costs, customs clearance, etc. are included in the price of the goods.

Eleven rules INCOTERMS 2020 are divided into two separate groups (Table 13).

Table 13

Application of Delivery Conditions Depending on the Type of Transport

Rules for any mode of transport	
FCA	Free Carrier (for the ship containers as well)
CPT	Carriage Paid to
CIP	Carriage and Insurance Paid to
DAT	Delivered at Terminal
DAP	Delivered at Place
DTP	Delivered Duty Paid
DPP	Delivered Place Paid
The rules for sea and inland waterway transport	
FOB	Free on Board
CFR	Cost and Freight
CIF	Cost, Insurance and Freight
CNI	Cost and Insurance

“The first group includes seven terms that can be used regardless of the mode of transport chosen and whether one or more modes of transport are used. They can be used even if there is no maritime transport at all. However, it is important to remember that these terms can be used when a vessel is used for carriage in part. In the second group both the point of delivery and the place to which the goods are transported by the buyer are ports.

Although INCOTERMS is extremely important for the implementation of the contract of sale, a large number of problems that may arise in such a contract are not considered at all. For example, the transfer of ownership, other property rights, violation of the agreement and the consequences of such violations, as well as exemption from liability in certain situations. It should be emphasized that INCOTERMS are not intended to replace the terms of the contract necessary

for a full contract of sale, either by incorporating regulatory conditions or individually agreed terms”.³⁸

8. Time and date of delivery. Delivery times are the time periods during which the seller must transfer the object of the transaction to the buyer; they are agreed upon between the parties and stipulated in the contract.

There are various ways to set delivery times: fixed delivery day (date, month, quarter and interval between dates), or a period during which delivery has to be made.

There are special terms to determine delivery time: “immediate delivery”; “without delay”; “from stock”; “goods available on site”; “as ready”; “as the consignment of a consignment of goods (of a specified weight, size, etc.)”; “during the summer”; “after the opening of the navigation season.”

If the delivery by lots is to be carried out and extended over a long period, it is advisable to provide a delivery schedule with clear instructions as to what goods, in which amounts, in what period are supposed to be delivered. Along with the determination of delivery periods, a schedule for the delivery of goods (ten-day, daily, hourly, etc.) can be established.

9. Packaging and labeling of goods. Sections on packaging and labeling are included in the contract when packaging is necessary for the product type. It is necessary to determine the type and nature of the packaging, its quality and dimensions, the methods of marking (details of the importer, contract No., weight and overall characteristics, number of places in a batch, batch No.), methods of payment for packaging in this contract section.

Minimum packaging requirements for the delivered goods may be applied if the packaging should ensure the safety of the cargo only for the duration of its transportation. Typically, the contract stipulates:

³⁸ Pavlov, P.V. International Business: Textbook / Publishing House of Southern Federal University, 2019, p. 167.

– external packaging – containers (boxes, cardboard boxes, barrels, containers, etc.);

– inner packaging inseparable from the goods.

Marking may be different. Most importantly, it should contain shipping information, instructions to transport organizations on how to handle the goods transported, and warnings about dangerous goods.

10. Goods delivery and acceptance. Goods delivery means the transfer of goods by the seller to the buyer in accordance with the terms of the contract of sale. As a result of such a transfer, the buyer gets complete control over the goods (delivery of the document of title). The cost of delivery includes the cost of weighing, counting, labeling, packaging, etc.

Acceptance means check of compliance of the quality and completeness of the goods with their characteristics and technical specifications mentioned in the contract.

In this section, first of all, the place of actual delivery and acceptance of goods, which can be selected both in the seller's country and in the buyer's country, is established precisely.

In the international trade business practice, two methods of acceptance of actually delivered goods are used:

- 1) selective method;
- 2) the method of verification of all delivered goods.

Delivery and acceptance of goods is carried out according to the quantity (weight) and quality of the goods. The terms of acceptance of goods in quantity and quality, as a rule, do not coincide. The buyer is usually required to quantify the delivered goods immediately upon arrival. For high-quality acceptance, longer periods are often set.

The result of the acceptance is documented.

11. Insurance. Depending on the terms of the contract, the insurance obligation of the goods lies with either the seller or the buyer. This section provides the following points:

- what cargo is subject to insurance;
- from what risks the cargo is insured;
- who provides insurance;
- in whose favor cargo insurance takes place.

In order to avoid possible misperceptions in the contract, it is very important to indicate all insurance conditions. Typically, cargo insurance is carried out within the value of the goods on the CIF condition plus 10%. But goods can be insured for a larger amount of money.

12. Penalties. Contracts usually provide a number of penalties by which the buyer encourages the seller to fulfill his obligations and receives protection in case of possible commercial risks.

Penalties increase depending on the duration of the violation of obligations.

The contract also establishes the maximum amount of the fine, depending on the value of the goods not delivered on time.

When discussing the amount of penalties, two types of damage must be considered:

- obvious damage;
- lost profit.

Along with penalties, the contract may also provide the right of the parties to recover damages. Moreover, such a penalty does not exempt from the fulfillment of obligations under the contract.

13. Force Majeure. This section of the contract provides exemption from liability due to force majeure circumstances. These circumstances include:

- natural disasters (earthquakes, floods, fires, epidemics, etc.);
- political and trade-political situations (wars, strikes, embargoes, etc.).

This section indicates the maximum validity period of force majeure circumstances and provides their agreed list.

The contract usually also indicates the maximum validity period of force majeure. If force majeure lasts longer than the period agreed upon and indicated by the parties in the contract, then each of the parties has the right to refuse to further fulfill obligations under the contract, and neither of the parties has the right to demand compensation from the other party.

14. Arbitration (procedure for the settlement of possible disputes). In this section of the contract, the place and name of the arbitration shall be indicated; the time periods for the parties to apply for arbitration are established. It should be noted that the arbitration section of the contract is recognized as having legal force regardless of the validity of the contract, of which it is an integral part.

15. Other conditions. Other conditions may include stipulations about the amendments and the procedure for changing the contract. This section of the contract may contain requirements to prohibit the re-export of goods to third countries, stipulate the conditions for the distribution of additional costs, advertising of this product, confidentiality, patent clauses, as well as the conditions for the transfer of rights and obligations under the contract to third parties.

16. Summary, language of the contract and correspondence. Usually this section indicates the language of the contract and the number of copies to be done (signed) with the proviso that all copies have the same legal force.

If the parties do not specify from the very beginning in what language the correspondence will be conducted, then according to the custom that has developed in the practice of international trade, the language of correspondence between the parties becomes the language in which the deal proposal was made.

The section also indicates the time when the contract comes into effect.

Typically, the contract comes into effect from the moment it is signed.

17. Legal domiciles and signatures of the parties. The legal domiciles of the parties are indicated. These data are certified by the signature of the authorized person and the stamps of the parties.

After the parties have agreed on the contract, the seller ensures the shipment of the goods to the buyer's country (concludes an agreement for the international transportation of goods), and the buyer pays for the goods. After receiving the goods, the buyer performs its customs clearance by filling out and submitting a customs declaration (CD) to the customs authority and makes customs payments. Upon receipt of the issued CD from the customs authorities, the buyer can freely use the goods in the territory of the Russian Federation.

Gameplay

The host of the game determines the composition of the teams and gives tasks for the business game.

The teams' composition:

- representatives of the seller (exporter): 2-4 people;
- representatives of the buyer (importer): 2-4 people;
- representatives of the carrier (transport agents): 2-4 people;
- representatives of the customs broker (customs clearance specialists): 2-4 people;
- customs officers (customs inspectors): 2-4 people.

Teams' action priority

The seller draws up a contract for the international sale of goods (hereinafter – the contract), a commercial account (invoice) and sends them to the buyer for approval.

The buyer nods through the contract, draws up a protocol of disagreements (if necessary) and returns it to the seller.

The seller nods through the protocol of disagreements to the contract and prepares the goods for shipment, for which he asks the carrier to carry out cross-

border transportation of goods, declaring the name of the goods, their value, name and address of the consignor and consignee.

The carrier draws up a contract for the transportation of goods and formulates transport documents (waybill, bill of lading, air waybill) and sends them to the seller.

The seller nods through shipping contract (terms of delivery according to INCOTERMS-2020, cost of carriage, etc.) and signs the transport documents.

The carrier delivers goods to Russia to a temporary storage warehouse and informs the buyer (consignee) about the arrival of a batch of goods.

For customs clearance of goods, the buyer engages a customs broker, providing him with copies of commercial and transport documents for the goods (contract, international transportation agreement, transport documents, invoice, etc.).

The customs broker sends the agency agreement to the buyer to agree on the nature and cost of the services provided by him for the customs clearance of the goods arrived.

The buyer agrees on the agent agreement with the customs broker.

Based on the documents received from the buyer, the customs broker determines the code of imported goods in accordance with the Intrastat Classification Nomenclature (ICN), calculates customs payments and fills in the customs declaration.

The customs broker transfers the completed customs declaration (CD) and the full package of commercial and transport documents to the customs authority.

The customs authority verifies the correctness of filling in the CD column and makes a decision on the prohibition or import of goods.

After the release of the CD by the customs authority, it is returned to the customs broker, who transfers it to the buyer.

The host of the game supervises the activities of teams at each stage and docks penalty points for incorrectly executed documents.

The winning team is the one that makes least mistakes when completing the sequence of team actions (and/or received the least amount of penalty points).

Annex 2. Sample of Project Work

Task for Project Work

1. Analyze the export potential of the Rostov region.
2. Offer a competitive product or service produced in the Rostov region, for promotion on the world market.
3. Describe the proposed product/ service: name, specifications, view, purpose of use, etc.
4. Conduct market research of the countries planned for the supply of goods / services.
5. Analyze the goods / services using Porter's "diamond" model.
6. Carry out a PEST analysis of the production and sale of goods / services on the world market.
7. Conduct a SWOT analysis of the production and sale of goods / services on the world market.
8. Determine the method of pricing and promotion of goods / services in foreign markets.

Rostov Region Export Potential Analysis

The Rostov Region will be considered as a potential exporter of products to international markets. To implement the project, it is necessary to know the potential of the region.

In the Rostov region about 1.7 thousand enterprises sell their goods and services to foreign partners. And more than 80 percent of exporters are medium and small enterprises. There could be much more if entrepreneurs wisely promoted their products and more actively used state support. According to the Minister of Economic Development of the Rostov Region, Maxim Papushenko, the foreign trade turnover of the Rostov Region was \$ 9.7 million last year. And most of this volume accounted for export transactions - \$ 6.8 million. And in the

structure of non-primary exports, almost 60 percent is now food products. “Plant Products” (40%) and “Mineral Products” (20%) were the main exports.

In the structure of exports by country, Turkey takes the first place (19%) and Egypt takes the second place (12%) (Fig. 2).



Fig. 2. Exports from the Rostov Region (USD)

A characteristic feature of the Rostov region exports is that an overwhelming majority of participants in foreign economic activity are representatives of small and medium-sized businesses. But this happened not because “kids” in the region are more active than big businessmen. It’s just that there are not so many of them in the Rostov region. Now in this area more than 546 thousand people are employed, and by 2020 they are expected to increase to 710 thousand.

And naturally, having achieved certain success in manufacturing and selling products in the Russian market, many would like to go international. The Rostov region has its own advantages, which must be used to gain a foothold in the world market. One of them is the port infrastructure. And there is potential: in the portfolio of investment projects in the Rostov region there are several interesting business ideas about the development of port capacities.

A huge number of Russian companies produce quite competitive products today, and now they need to learn how to present them actively and competently. To do this, first of all, entrepreneurs can get professional advice on product

promotion, licensing, become part of organized business groups traveling abroad, and be trained in the basics of export activities³⁹.

The structure of export is important because it is necessary to know exactly which products are in demand in foreign markets (Table 14).

Table 14

Structure of Exports by Products

Group product	Jul, 2016	Jul, 2017	Ch.	Σ (Jul, 2016-Jul, 2017)	Ratio
01 : Live animals; animal products	\$4.6 m	\$5.3 m	▲ 14%	\$83.6 m	1.3%
02 : Vegetable products	\$147 m	\$158 m	▲ 7%	\$2.47 B	39.8%
03 : Animal or vegetable fats and oils and their cleavage products	\$16.9 m	\$34.4 m	▲ 104%	\$747 m	12%
04 : Prepared foodstuffs; beverages, spirits and vinegar; tobacco	\$31.7 m	\$26.4 m	▼ 17%	\$454 m	7.3%
05 : Mineral products	\$22.8 m	\$12.3 m	▼ 46%	\$1.23 B	19.8%
06 : Products of the chemical or allied industries	\$12.5 m	\$14.8 m	▲ 18%	\$183 m	3%
07 : Plastics and articles thereof; rubber and articles thereof	\$7.7 m	\$8.4 m	▲ 9%	\$99.8 m	1.6%
08 : Raw hides and skins, leather, furskins and articles thereof; travel goods, handbag	\$151 k	\$320 k	▲ 112%	\$2.4 m	0%
09 : Wood and articles of wood; wood charcoal; cork and articles of cork	\$629 k	\$537 k	▼ 15%	\$7.1 m	0.1%
10 : Pulp of wood; recovered paper and articles thereof	\$1.2 m	\$1.7 m	▲ 46%	\$19.9 m	0.3%
11 : Textiles and textile articles	\$5.2 m	\$4.7 m	▼ 10%	\$64.7 m	1%
12 : Footwear, headgear, umbrellas, sun umbrellas, seat-sticks, whips and parts thereof	\$464 k	\$795 k	▲ 71%	\$13 m	0.2%
13 : Articles of stone, plaster, cement, asbestos or similar; ceramic products; glass and glassware	\$5.8 m	\$4.5 m	▼ 22%	\$54.4 m	0.9%
14 : Natural or cultured pearls, precious stones, precious metals; imitation jewellery; coin	\$21.2 k	\$6.62 k	▼ 69%	\$441 k	0%
15 : Base metals and articles of base metal	\$27.8 m	\$30.2 m	▲ 9%	\$386 m	6.2%
16 : Machinery and mechanical appliances; electrical equipment; sound and television	\$35.1 m	\$25.9 m	▼ 26%	\$312 m	5%
17 : Vehicles, aircraft, vessels and associated transport equipment	\$1.3 m	\$2 m	▲ 53%	\$32.2 m	0.5%
18 : Optical, photographic, measuring, musical, medical instruments and apparatus; clocks	\$11.1 m	\$1.1 m	▲ 0%	\$14.1 m	0.2%
19 : Arms and ammunition; parts and accessories thereof	---	---	---	---	0
20 : Miscellaneous manufactured articles	\$2.3 m	\$2 m	▼ 15%	\$34.6 m	0.6%
21 : Works of art, collectors' pieces and antiques	---	---	---	\$20	0%
22 : Hidden partition	\$1.1 m	\$590 k	▼ 45%	\$3.4 m	0.1%
Total:	\$325 m	\$334 m		\$6.22 B	100%

It is necessary to know in which countries and in what volume products are supplied by the Rostov region (Table 15).

The Rostov region ranks sixth among the constituent entities of the Russian Federation in terms of non-oil exports and is among the ten largest exporting regions.

This means that the selected region is promising in many areas. New start-ups can also count on financial support from government programs.

³⁹ Russian Newspaper official website: <https://rg.ru/2018/10/09/reg-ufo/v-rostovskoj-oblasti-poiavilis-400-novyh-eksportirov.html/>

Table 15

Structure of Exports by Countries⁴⁰

No	Country	Σ (Jul, 2016-Jul, 2017)	Ratio
1	Turkey	\$1.2 B	19.3%
2	Egypt	\$771 M	12.4%
3	Ukraine	\$764 M	12.3%
4	Switzerland	\$678 M	10.9%
5	Bangladesh	\$237 M	3.8%
6	Kazakhstan	\$224 M	3.6%
7	Saudi Arabia	\$181 M	2.9%
8	Belarus	\$125 M	2%
9	United States	\$121 M	1.9%
10	Lebanon	\$117 M	1.9%
11	India	\$98 M	1.6%
12	United Arab Emirates	\$74 M	1.2%
13	Iran	\$69.8 M	1.1%
14	Uzbekistan	\$66.6 M	1.1%
15	Libya	\$65.5 M	1.1%
16	Greece	\$64.9 M	1%
17	Italy	\$62.2 M	1%
18	Georgia	\$57.8 M	0.9%
19	Kenya	\$55.9 M	0.9%
20	Belgium	\$53.2 M	0.9%
...
	The total for all countries:	\$6.22 B	100%

⁴⁰ Ru-Stat statistic and information Agency official website: <https://en.ru-stat.com/>

Description of Competitive Goods from the Rostov Region for Promotion in the Global Market

Product name: “Happy Forest”

Product features: The main function will be the recognition of fire in forests and the transfer of data about this to the nearest fire services. Also, the function will be the transfer of geodata on the state of air in the forest area assigned to the office system (for example, the fire service). This will help predict possible fire in the forest.

Product Description: The system should have a basic GPS-console with a built-in chip for collecting and transmitting information, power supplies, and high power consumption. Also it should have air analyzer sensors for carbon monoxide and carbon dioxide, also separate sensors with cameras on high ground (high trees) to respond to infrared radiation (excluding sun and reflections), protection system IP67 and next generations against fire, water and mechanical damage by animals.

Target audience: countries with forests on their territory. For example: Finland (26.3 million hectares – 76% of the territory), France (16.3 million hectares), Norway (12 million hectares), Belarus (7.85 million hectares), Germany (5.9 million hectares), Austria (3.92 million hectares), Ayzerbadzhan (1214 thousand hectares), Moldova (374.5 thousand hectares – 11.4% of the territory), etc.

Competitors: Forest Fire Detection (Republic of Belarus, Minsk), Forest Watch (Russia, Nizhny Novgorod).

Advantages: our system will have air analyzers that respond to infrared radiation. Thanks to this feature, “Happy Forest” will work to anticipate fire and prevent it. The competitors' systems have only video monitoring of the forest massif from the high-rise structures, capturing and recognizing the smoke plume

and detailing the alarming situation with the help of online manual viewing of the fire source. This does not help to predict possible sources of ignition.



Fig. 3. “Happy Forest” Product View

Market research of foreign markets for “Happy Forest” promotion

An analysis of global satellite imagery data for 12 years has made it possible to outline the dynamics of changes in the forest area in the world. In the total amount of degradation and growth, the first one prevails: the area of forests steadily decreases, over ten years it has decreased by 1.4 million km². The greatest forest area loss in relation to growth was recorded for the tropical zone, the smallest was recorded for moderate zone.

In general, the disappearance of forests in 12 years (the total area of forest losses was 2.2 million km²) significantly exceeded their growth (0.8 million km²); area of combined growth and degradation: 0.2 million km². About half of the forest losses are in the tropical belt; the largest increase is also recorded

there, although the ratio of losses to growth is precisely there that is most strongly shifted towards losses (Fig. 4, Table 16).

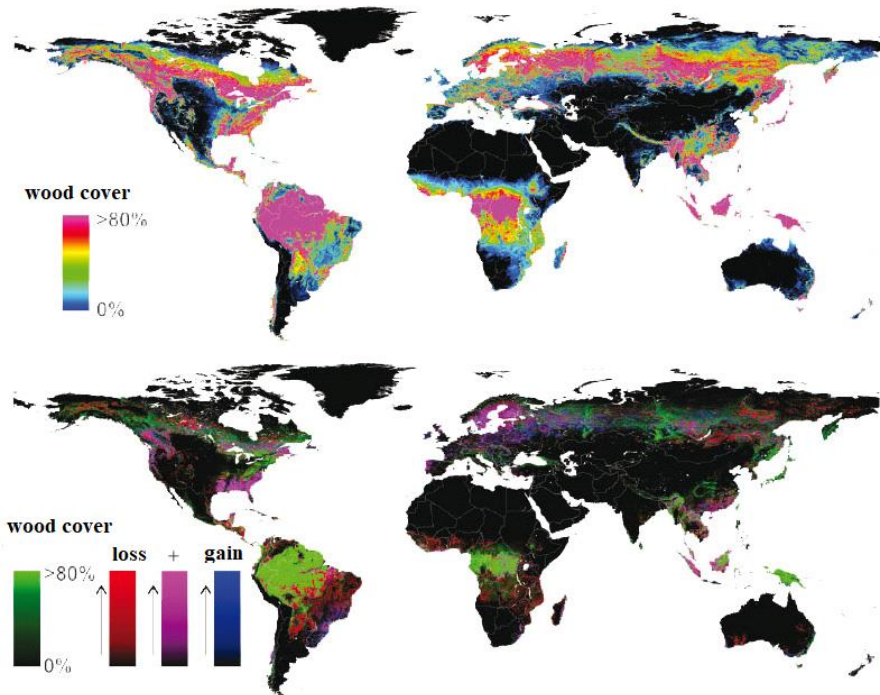


Fig. 4. Location of Global Forests

The upper map shows the location of global forests in different climatic zones – tropical, subtropical, temperate, and subarctic (boreal).

On the lower map, except for forests (green), losses for 12 years (red), growth (blue) and forest turnover, that is, losses + growth (purple) are displayed.

Table 16

The Overall Balance of Forest Degradation and Growth by Climatic Zones

Forests by zones	Loss (km²)	Gain (km²)
Tropical	1105786	247233
Subarctic (boreal)	606841	207100
Subtropical	305835	194103
Temperate	273390	155989
Total	2291851	804425

According to estimates, the tropical forest is disappearing at an accelerated pace, and this acceleration is about 2 thousand km² per year. The highest rate of forest degradation is observed in the tropics of South America - in Argentina, Paraguay and Bolivia.

For subtropical forests, the most characteristic feature is high rate of forest turnover: almost everywhere in this climatic zone forests are considered as cultural plantings. There is almost no natural old woodland here, and the forest serves as an important economic raw material. Therefore, on the map, subtropical forests are marked in purple as areas with high speed degradation and growth.

Forests of the temperate zone are degrading more slowly than tropical forests. Estonia and Latvia, as well as the western part of the USA, should be noted among the territories with the highest rate of forest degradation, and in the USA the highest rate of forest losses is not only in the temperate, but also in the boreal zone. Note that the boreal forests of Russia show the highest growth rate not only for their climatic zone, but also for other zones (Fig. 4, blue color on the lower map).

The causes of forest degradation are well known: this is intensive cutting down and reducing them to agricultural land, as well as forest fires and various diseases. The weight of these factors varies slightly in different zones. The rainforest disappears mainly due to the activities of people; in the temperate and boreal zones, the main destructive factor is forest fires.

The study was conducted by an international team of scientists from the University of Maryland at College Park, the University of South Dakota (USA), NASA and other organizations ⁴¹.

The forests that exist to date are shown in green, the disappeared are marked in red, the newly emerging forests are marked in blue, and in areas of pink color, the forest is simultaneously destroyed and reborn.

In order to map changes in forest cover, they literally pixel-wise studied images made by NASA and the US Geological Survey satellites for 2000-2012. According to the data obtained, during this period the Earth lost about 2.3 million square kilometers of forests due to hurricanes, insects, fires or human activities.

The next map (Fig.5) shows global trends in forest loss, structures the causes of forest loss in areas of 100 square kilometers.

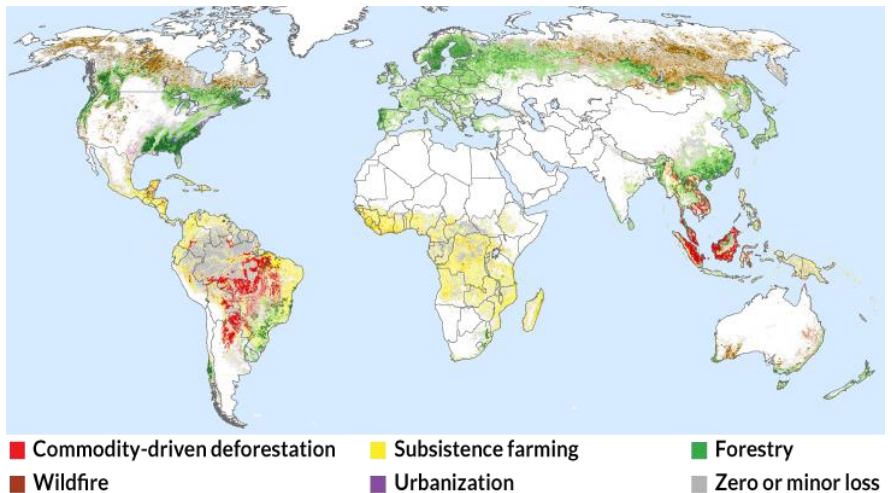


Fig. 5. Deforestation

⁴¹ Global Forest Change project official website. Department of Geographical Sciences University of Maryland, USA: <http://earthenginepartners.appspot.com/google.com/science-2013-global-forest/>

According to new data, of three million square kilometers of forest lost worldwide from 2001 to 2015, 27% is the result of land conversion for industrial agriculture. The other 73% of deforestation during this time was caused by forest fires, as well as activities that involve forest rehabilitation: for example, “spotted” cutting of trees in small areas of the forest so that tree cover can resume naturally.

On the map the territory where deforestation is caused by the following reasons is marked with different colors:

- red – industry;
- brown - forest fires;
- yellow – subsistence;
- purple - urbanization, urban growth.

Forestry is shown in green and the area with minimal damage to forests is shown in gray.

In 2010, the world had 3.18 Gha of tree cover, extending over 25% of its land area. In 2017, it lost 29.4 Mha of tree cover.

This map helped to determine the countries to which “Happy Forest” will be exported.⁴²

Selected countries:

1. Vietnam.
2. Cambodja.
3. Moldova.
4. Romania.
5. Nigeria.
6. Democratic Republic of Congo.
7. South Sudan.

⁴² Global Forest Watch (GFW) online platform official website: <https://www.globalforestwatch.org/dashboards/global?treeCoverGain=eyJwYWdlJowfQ%3D%3D&treeLossTsc=eyJoaWdobGlnaHRIZCI6ZmFsc2V9/>

8. Venezuela.

9. Mexico.

Competitiveness of the device

Fire situation in forests occurs in dry and hot weather. The danger increases proportionally to the duration of the period with such weather conditions. Certain meteorological conditions are necessary, but not sufficient for the occurrence of forest fire. For the emergence and development of fire, two more conditions are necessary: combustible materials (dry mass of plants in any tiers of the forest ecosystem) and a source of fire (ignition).

Forest fire is a multifactorial phenomenon. The ignition of the plant mass is influenced not only by meteorological, but also by environmental factors: the species composition of the forest ecosystem, the age and sanitary condition of the stand and others. Forest fires, as a rule, begin almost immediately after the disappearance of snow cover, if dry weather sets in. The presence of dry last year's grass, dried epigein lichens and mosses contributes to the occurrence of fire. In the following months, humidity in this tier increases significantly, in particular, due to the newly formed grass biomass. The high summer temperature increases the burning capacity of the forest, and the fire is restrained only because of precipitation.

In case of fire-hazardous meteorological conditions, fire may occur both for natural reasons (e.g. lightning), and man-made discharges (careless handling of fire). The lower the relative humidity of the air and the higher the wind speed, the faster the fire spreads.

Therefore, the main characteristics for the device:

- the ability to determine wind speed;
- determination of air humidity;
- determination of temperature, etc.

The average long-term data on the actual burning of forests in different regions show a significant spatial heterogeneity in the number of forest fires and, therefore, characterize regional differences in the potential danger of forest fire.

To assess the degree of fire danger of a forest, depending on the meteorological conditions, the forest fire index is used, which is a comprehensive indicator of the fire danger in the forest.

In Russia, the Nesterov index (GOST R 22.1.09-99, 2000) is used to assess forest fires, and for the same purposes, the drought index KBDI (Keetch – Byram Drought Index, proposed in Keetch, Byram, 1968) is used for the same purpose.

What is used in the world?

- Satellite monitoring;
- Forest video surveillance system (Fire Watch).

Technical characteristics that distinguish our product “Happy Forest” from the existing ones:

1. Covering radius - 30 km²
2. Additional sensors:
 - view, moisture content and reserve of forest combustible materials;
 - wind speed;
 - the nature of the relief;
 - air humidity;
 - air temperature;
 - state (stability) of the atmosphere;
 - phenological phases of growing vegetation;
 - cloudiness;
 - solar radiation activity.

Analysis of goods using Porter’s “diamond” model

The theory of competition by Michael Porter says that there are five driving s in the market that determine the possible level of profit in the market. Each force in the model of Michael Porter represents a separate level of product competitiveness (Table 17-22):

- bargaining power of customers;
- bargaining power of suppliers;
- threat of invasion of entrants;
- threat of substitutes;
- competitive rivalry.

Table 17

The First Force: The Threat of Entrants

Rating parameter	Comments	Parameter score		
		3	2	1
Saving on the scale in the production of goods or services	<i>The greater the volume of production, the lower the cost of purchasing materials for the production of goods, the less the fixed costs of production affect the unit of production</i>	missing	only a few market players exist	significant
			2	
Strong brands with a high level of knowledge and loyalty	<i>The more brands in the industry, the more difficult it is for new players to join</i>	no major players	2-3 major players hold about 50% of the market	2-3 major players hold over 80% of the market
		3		
Product differentiation	<i>The higher the variety of goods and services in the industry, the more difficult it is for new players to enter the market and occupy a free niche</i>	low level of product diversity	there are micro niches	all possible niches are occupied by players
			2	
Level of investment and cost to enter the industry	<i>The higher the initial level of investment to enter the industry, the more difficult it is for new players to enter the industry</i>	low (pays off in 1-3 months of work)	medium (pays off in 6-12 months of work)	high (pays off more than 1 year of work)
				1
Access to distribution channels	<i>The more difficult to reach the target audience in the market, the lower the attractiveness of the industry</i>	access to distribution channels is fully open	access to distribution channels requires moderate investments	access to distribution channels is limited

			2	
Government policy	<i>The government can limit and close the possibility of entering the industry through licensing, restricting access to sources of raw materials and other important resources, regulating the price level</i>	no restrictive acts by the state	the state intervenes in the industry, but at a low level	the state fully regulates the industry and sets restrictions
		3		
The willingness of existing players to lower prices	<i>If players can lower prices to maintain market share - this is a significant barrier to the entry of new players</i>	players will not go to lower prices	big players won't go for price cuts	any attempt to propose a cheaper offer leads to reduction of prices by existing players
			2	
Industry growth rate	<i>The higher the growth rate of the industry, the more willing new players are to enter the market</i>	high and growing	slowing down	stagnation or decline
		3		
FINAL BALL		18		
8 points		Low threat of entry of new players		
9-16 points		The average level of threat of entry of new players		
17-24 points		The high level of threat of entry of new players		

Table 18

The Second Force: Bargaining Power of Customers

Rating parameter	Comments	Parameter score		
		3	2	1
Proportion of buyers with high sales	<i>If buyers are concentrated and make purchases on a large scale, the company will have to constantly make concessions to them.</i>	over 80% of sales accounted for several customers	A small proportion of customers keep about 50% of sales	Sales are equally distributed between all customers
			2	
Propensity to switch to commodity substitutes	<i>The lower the uniqueness of the company's product, the higher the likelihood that the buyer will be able to find an alternative and not incur additional risks</i>	the company's product is not unique, there are full analogues	the company's product is partly unique, there are distinctive features that are important to customers	the company's product is completely unique, no analogues
				1

Price sensitivity	<i>The higher the sensitivity to price, the higher the likelihood that the buyer will buy goods at a lower price from competitors</i>	the buyer will always switch to a product with a lower price	the buyer will switch only with a significant difference in price	the buyer is absolutely not price sensitive
				1
Consumers are not satisfied with the quality existing in the market	<i>Dissatisfaction with quality creates hidden demand that can be satisfied by a new market player or competitor</i>	dissatisfaction with the key characteristics of the product	dissatisfaction with the secondary characteristics of the product	total satisfaction with quality
			2	
FINAL BALL		6		
4 points		Low threat customer care		
5-8 points		Medium customer threat level		
9-12 points		High threat of losing customers		

Table 19

The Third Force: Bargaining Power of Suppliers

Rating parameter	Comments	Parameter score	
		2	1
Number of suppliers	<i>The fewer suppliers, the higher the likelihood of unreasonable price increases</i>	Minor number of suppliers or monopoly	Wide selection of suppliers
		2	
Limited resource providers	<i>The higher the limited resources of suppliers, the higher the likelihood of rising prices</i>	volume limitations	unlimited scope
			1
Switching costs	<i>The higher the switching costs, the higher the threat to rising prices</i>	high costs of switching to other suppliers	low costs for switching to other suppliers
			1
Priority of direction for the supplier	<i>The lower the priority of the industry for the supplier, the less attention and effort he puts into it, the higher the risk of poor quality work</i>	low industry priority for the supplier	high priority of the industry for the supplier
			1
FINAL BALL		5	
4 points		low supplier influence	
5-6 points		average supplier influence	
7-8 points		high supplier influence	

Table 20

The Fourth Force: The Threat of Substitute Goods

Rating parameter	Comments	Parameter score		
		3	2	1
Substitute products “price-quality”	<i>able to provide the same quality at lower prices</i>	exist and occupy a high market share	exist, but only entered the market and their share is small	does not exist
				1
FINAL BALL		1		
1 points		low threat from substitute goods		
2 points		average threat level from a substitute product		
3 points		high level of threat from substitutes		

Table 21

The Fifth Force: Competitive Rivalry

Rating parameter	Comments	Parameter score		
		3	2	1
Number of players	<i>The more players in the market, the higher the level of competition and the risk of losing market share</i>	High market saturation	The average level of market saturation (3-10)	A small number of players (1-3)
				1
Market growth rate	<i>The lower the growth rate of the market, the higher the risk of constant market redistribution</i>	Stagnation or decline in the market	Slowing but growing	high
				1
The level of product differentiation on the market	<i>The lower the product differentiation, the higher the standardization of the product - the higher the risk of switching consumers between different market companies</i>	Companies sell standardized goods	The product on the market is standardized by key properties, but differs by additional benefits.	Company products are significantly different.
			2	
Price increase restriction	<i>The fewer opportunities to raise prices, the higher the risk of losing profits with a constant increase in costs</i>	Strong price competition in the market, there are no opportunities to raise prices	There is an opportunity to raise prices only in the framework of cost growth	There is always an opportunity to raise prices to cover cost increases and higher

			profits.
		2	
FINAL BALL		6	
4 points	Low level of intra-industry competition		
5-8 points	The average level of intra-industry competition		
9-12 points	High level of intra-industry competition		

Table 22

Conclusions and Strategies

Parameter	Meaning	Description	Work directions
Threat of substitutes	Low level	The company has a unique offer on the market, which has no analogues	<ol style="list-style-type: none"> 1. It is recommended to stick to the strategy of strengthening the uniqueness of “Happy Forest” and focus on this target market, which is important for unique characteristics. 2. The company should focus its main efforts on building a high level of awareness of “Happy Forest” and its unique features 3. To maintain competitiveness, it is necessary to constantly monitor the proposals of competitors and the emergence of new players. 4. It is recommended to diversify the client portfolio. 5. Special programs are required for different customers and the specifics of their needs. 6. Focus on “Happy Forest” development
Competitive rivary	Average level	The company's market is highly competitive and promising. There is no possibility of a full comparison of goods from different companies. There are restrictions on price growth.	
Threat of new entrants	High level	High risk of entry of new players. New companies appear constantly due to low entry barriers and low initial investment.	
Bargainig power of cutomers	Average level	The customer portfolio has medium risks (with the departure of key customers - the average drop in sales). The existence of high-quality, but not economical offers.	
Bargaining power of suppliers	Average level	Average stability on the part of suppliers	

PEST analysis of the production and sale of goods on the world market

PEST analysis is a framework or tool used to analyze and monitor the macro-environmental factors that may have a profound impact on an organisation's performance. This tool is especially useful when starting a new business or entering a foreign market. It is often used in collaboration with other analytical business tools such as the SWOT analysis and Porter's Five Forces to give a clear understanding of the situation and related internal and external factors. PEST is an acronym that stand for Political, Economic, Social, Technological, Environmental and Legal factors.

PEST analysis was carried out for the organization "Happy Forest". The following results were obtained (Table 23).

Table 23 shows the following indicators:

- the degree of influence of each factor on sales and profits of the company on a 3-grade scale, where 1 is low degree of influence, 3 is high degree of influence;
- with the involvement of experts, the probability of changing each factor was estimated on a 5-point scale, where 1 is low probability, 5 is high probability;
- arithmetic average of the estimates made.

Table 23

The Influence of Factors on Sales and Profits

1	2	3					4	5
Factor Description	Influence factor	Expert review					Average rating	Weight Correction
		1	2	3	4	5		
<i>POLITICAL FACTORS</i>								
Quantitative and qualitative restrictions on imports, trade policy	3	2	4	1	2	3	2.4	0.17
Tax policy (tariffs and benefits)	2	3	4	3	4	2	3.2	0.15
The degree of intellectual property protection and copyright law	1	2	1	1	2	2	1.6	0.04
Environmental legislation	3	3	4	4	5	3	3.8	0.27
<i>ECONOMIC FORCES</i>								
Monetary and fiscal policy of the country	1	2	1	2	2	2	1.8	0.04
The degree of globalization and openness of the economy	5	4	3	3	4	2	3.2	0.37
<i>SOCIOCULTURAL FACTORS</i>								
Attitude towards imported goods and services	3	5	4	4	5	5	4.6	0.32
Requirements for product quality and service level	2	5	5	4	5	5	4.8	0.22
<i>TECHNOLOGICAL FACTORS</i>								
The level of innovation and technological development of the industry	3	5	4	4	5	4	4.4	0.31
Research and development costs	3	5	5	5	5	5	5.0	0.35
Access to the latest technology	3	3	4	4	3	4	3.6	0.25
The degree of use, implementation and transfer of technology	3	4	5	5	5	4	4.6	0.32
TOTAL							43.0	

In Table 24, all factors are distributed in the corresponding cells in descending order of importance.

Table 24

Factors Distribution

POLITICAL		ECONOMIC	
Factor	Weight	Factor	Weight
Environmental legislation	0.27	The degree of globalization and openness of the economy	0.37
Quantitative and qualitative restrictions on imports, trade policy	0.17	Monetary and fiscal policy of the country	0.04
Tax policy (tariffs and benefits)	0.15		
The degree of intellectual property protection and copyright law	0.04		
SOCIOCULTURAL		TECHNOLOGICAL	
Factor	Weight	Factor	Weight
Attitude towards imported goods and services	0.32	The level of innovation and technological development of the industry	0.31
Requirements for quality and level of service	0.22	Research and development costs	0.35
		The degree of use, implementation and transfer of technology	0.32
		Access to the latest technology	0.25

Results of “Happy Forest” PEST analysis are shown in Table 25.

Table 25

Selected Factors Analysis

Political	Change in industry	Change in company	Actions
Environmental Legislation	In other potential consumer countries it may contribute to an increase in potential customers within the country, but also it may contribute to the formation of new competitors in these countries.	It may have a positive effect on the company's activities due to the increase in the number of potential customers.	It is necessary to monitor and react in time to occupy the niche of the main supplier in the country.
Quantitative and qualitative restrictions on imports, trade policy	In client countries it may lead to the creation of competitors within a closed country.	It can lead to a restriction on having business with such a country and the suspension of	It is necessary to conclude long-term contracts so that the state could not suspend the activities of the

		activities with customers. This factor can badly affect the company.	company.
Economic	Change in industry	Change in company	Actions
The degree of globalization and openness of the economy	It has a positive effect on the industry since the exchange with the world economy does not take place due to shortages or surpluses of products within the country, but on the basis of comparative production costs.	The higher the degree, the greater the opportunity to interact with such a country, since there is an opportunity to produce various components of equipment in this country with lower costs.	Identify the ability to produce various components of the equipment in this country with lower costs.
Socio-cultural	Change in industry	Change in company	Actions
Attitude towards imported goods and services	The loyalty of people to imports in the technology industry increases the development of this country.	The lower the loyalty of people to the import, the harder it will be to convince them to work with the company.	To do this, we need unconditional competitive advantages over local competing companies.
Requirements for quality and level of service	The higher such requirements, the greater the need to develop the industry and screen out low-quality manufacturers.	Increased requirements will positively affect the company, as this will have significant competitive advantages. But reduced requirements are bad, as it will increase the number of smaller cheaper competitors.	It is necessary to look for clients who are focused on high quality and level of service.
Technological	Change in industry	Change in company	Actions
The level of innovation and technological development of the industry	The higher the level of innovation, the more productive the industry will work, since it directly depends on technological development.	A high level of technological development can lead to the rapid aging of the innovative product.	It is necessary to constantly monitor innovations on the components of "Happy Forest" and constantly improve it.
Research and	The higher the costs,	High research costs	It is necessary to seek

development costs	the slower the industry will grow.	will hinder the development of the company.	investors and ask for financial assistance from the state.
The degree of use, implementation and transfer of technology	The higher the degree of technology introduction into the industry, the more actively it will develop.	The higher the degree of introduction of technology into an organization, the more actively it will develop.	It is necessary to constantly modernise “Happy Forest” and introduce new technologies, otherwise competitors will be able to do it faster. It is important to have a competitive advantage.
Access to the latest technology	The higher the access to innovations, the more actively the industry develops.	The higher the access of competitors to the latest technologies, the higher the competition of the product.	It is necessary to constantly upgrade “Happy Forest”.

SWOT analysis of production and sales of goods on the world market

SWOT (strengths, weaknesses, opportunities, and threats) analysis is a framework used to evaluate a company's competitive position and to develop strategic planning. SWOT analysis assesses internal and external factors, as well as current and future potential.

A SWOT analysis is designed to facilitate a realistic, fact-based, data-driven look at the strengths and weaknesses of an organization, its initiatives, or an industry. The organization needs to keep the analysis accurate by avoiding pre-conceived beliefs or gray areas and instead focusing on real-life contexts. Companies should use it as a guide and not necessarily as a prescription.

A SWOT analysis was conducted for “Happy Forest”. Table 26 lists the main strengths and weaknesses of the enterprise, as well as opportunities and threats.

Table 26

SWOT Analysis for “Happy Forest”

STRENGTHS		WEAKNESSES	
Rating	Parameter	Rating	Parameter
1	Technological level of the company	1	Low level of service and after sales service
2	Functional characteristics of “Happy Forest”	2	Lack of brand awareness
3	Company’s mobility in the market	3	Rising cost of “Happy Forest”
4	The uniqueness of the promotion strategy	4	Staff performance
OPPORTUNITIES		THREATS	
Rating	Parameter	Rating	Parameter
1	Increase of the income of client countries	1	Audience income level change
2	Special prices for regular customers	2	Emergence of cheaper analogues
3	Provision of additional services	3	Tightening of legal regulation

Based on the data of Table 26, the following conclusions and tips were made for the further productive work of the organization (Table 27).

Table 27

Ten Keys Findings

ANALYSIS OF STRENGTHS:
1. What competitive advantage should a company strengthen?
Technological level of the company
Functional characteristics of “Happy Forest”
2. What are the company's strengths that are not so obvious to customers and need more effective communication?
Company’s mobility in the market
The uniqueness of the promotion strategy
ANALYSIS OF OPPORTUNITIES:
3. What needs to be done to realize the opportunities as soon as possible?
The increase in incomes of client countries does not depend on the activities of the organization “Happy Forest”.
To increase the loyalty of the first customers of “Happy Forest”, you need to create a system of discounts for each subsequent order of customers.
It is also necessary to create a list of possible additional conditions and their prices based on the first orders.
4. How do you use the strengths of “Happy Forest” in developing opportunities?
The company's mobility in the market and unique promotion strategies make it possible to provide additional services as soon as possible.
The functional characteristics of the company in conjunction with the loyalty system to regular customers increase the competitiveness of the organization.
ANALYSIS OF WEAKNESSES:

5. How is it possible to minimize the impact of weaknesses on “Happy Forest”?
To minimize the impact of deficiencies on “Happy Forest”, it is necessary to draw the attention of potential customer’s systems to these strengths with the help of advertising companies and loyalty.
6. What is an action plan to eliminate weaknesses or turn weaknesses into strengths?
It is necessary to conduct an international advertising campaign to increase brand awareness, in particular, advertising and television advertising.
The competitors will also increase the value of the product, so it is necessary to constantly engage in analytics of the competitive environment and their pricing policies in order to maintain their competitive ability.
To increase the productivity of personnel, it is necessary to apply to popular employment agencies and hire specialists of a high professional level in the field of engineering. It is necessary to identify potential customer desires directly during the work and to offer additional services in a timely manner.
7. How is it possible to hide those weaknesses that can not be changed?
It is necessary to attract the attention of potential customers to these strengths through advertising campaigns and loyalty systems.
ANALYSIS OF THREAT:
8. How can threats be neutralized?
It is necessary to offer a cheaper “Happy Forest” to those customers whose income level has decreased or was not high enough (for example, installation of a smaller amount of equipment with blind zones).
9. Can threats be transformed into business opportunities and sources of sales growth?
Reducing the income of the country may be due to constant fires, so the equipment “Happy Forest” will be relevant in such conditions.
In case of failure of potential cheap competitors, “Happy Forest” will get all their customers because of the reluctance of customers to again run into cheap products.
10. What needs to be done to protect against threats as soon as possible?
Create offers for less paying customers.

Methods of pricing and product promotion in foreign markets

Special attention is given by experts in the field of international marketing to the issues of setting prices for new products and forecasting pricing policies in a strategic plan for all (or predetermined) stages of the product life cycle in the domestic and global markets.

Determining the price of new products is a rather difficult and demanding task, given that the brand of such goods is still unknown to customers, as well as their consumer and other properties and technical characteristics. In this connection, it is supposed to conduct marketing activities in a concentrated

manner in order to ensure, create or “wake up” the demand for new products from foreign buyers and consumers, which requires substantial expenses.

In order to fulfill it, the company may apply several strategies.

1. “*Slow cream removal*” You can keep a high price on a new product and low sales promotion costs. This is acceptable for a small market where potential buyers are aware of the product and are willing to pay a high price.

2. “*Fast skimming*” is carried out at a high price combined with intensive sales promotion. This strategy applies to wealthy buyers. After slowing down the initial sales wave as a result of “skimming”, the price is reduced to attract the less well-off segments of the population.

3. “*Rapid penetration*” or “*solid market penetration*” is achieved by setting a low starting price and intensive sales promotion. This contributes to the most rapid and complete market conquest. It makes sense to apply this strategy in cases where the market is large, potential buyers are price sensitive and unfamiliar with the product and, moreover, there is competition. If the company's resources are limited, you will have to keep prices low with weak incentives. Such a strategy is applicable in the following cases:

- the market is very sensitive to prices, and low price contributes to its expansion;
- reduced costs of production and distribution of goods.

Pricing methods

1. *The method of “average cost plus profit”*

This technique remains popular despite the fact that it does not take into account the peculiarities of current demand and competition in individual regions. Its merits: first, sellers know more about costs than about demand; secondly, if all firms in the industry use this method, then their prices are likely to be similar; thirdly, many consider this pricing method to be fairer.

2. *Method based on perceived value of the goods*

This method is becoming increasingly popular among entrepreneurs. The main factor is not the cost of the seller, and the perception of the goods by buyers. The company needs to identify:

- what value ideas exist in the minds of the consumer about the products of competitors;
- how much they are willing to pay for each benefit added to the offer.

Such tactics are sometimes called “aggressive pricing”. This method is suitable for the narrow segment of wealthy buyers in Russia.

The largest profit rates are set in the field of perfumery, high fashion, jewelry, luxury items. In general, it can be said that the further a product or service is from daily vital necessity, the sooner they will have prestige value, emphasizing the elitism, the chosenness of their user.

3. Pricing method based on current price level

By assigning the price based on the level of current prices, the firm basically pushes off the prices of competitors and pays less attention to indicators of its own costs or demand. It can charge prices higher or lower than competitors'. Smaller firms in pricing “follow the leader”.

4. Method of pricing on the basis of closed trades

This is the case of firms fighting for contracts during the bidding process. Each company wants to win a contract, so with all other conditions being equal, the one that agrees to lower prices wins.

5. Method of pricing depending on the segment of buyers

It exploits people's desire to highlight their hierarchical status and maintain it. When they reach a certain position, people begin to be very sensitive to their image, to observance of certain social rituals. They can not afford to buy things in stores “for all”, so they are forced to use more expensive services.

6. Method of pricing based on time

The idea of this method is that, for example, the price of alcohol at night can be noticeably higher than during the day. Or the store may declare weekend prices to be lower or higher. For example, in some markets, prices increase on weekends. Then the shop next door can announce lower “weekend prices”.

For “Happy Forest”, we have chosen the “Rapid penetration” strategy and the “Average cost plus profit” pricing method.

Justification of the choice:

Importer countries:

1. Romania

Forests cover 19% of the country.

Romania covers an area of 238,391 km².

Forest area – 45,484.29 km²

The area of 10% of forests is 4,548.429 km².

Amount of “Happy Forest” – 151.61 items ≈ 152 items.

2. Moldova

Forests in the past covered 20-25% of the territory, and now occupy only 6%.

Moldova covers an area of 33,846 km²

Forest area – 2,030.76 km².

The area of 10% of forests is 203.076 km².

Amount of “Happy Forest” – 6.76 items ≈ 7 items.

Table 28

Production Possibilities

Quantity, items	Man / month	Time spent on creation, month	State of workers
1	2	0,5	80

Table 29

Cost of Components

Materials and components	Quantity	Cost, USD
Central (motherboard)	1	46.9
GPRS / GSM data transmission module	1	46.1
Sensors (air analyzers) 5 sq.km	1	433.84
Sensors (infrared) 30 sq.km	1	8.1
Repeaters	1	2,129.9
Power line transformer	1	1,198.1
Power Supply	1	17.6
Rectifier	1	38.46
Signal wires	1	0.2
Case: stainless steel	1	213.84
Total		4,133.04

Table 30

Costing and Price Calculation

Costing and price calculation	Cost, USD	Production of 160 devices
1. Materials and components	4,133.04	
2. Salary	598.87	
<i>number of employees</i>	2	
<i>production time</i>	0.5	
<i>wage of 1 employee per month</i>	598.87	
3. Insurance premiums	179.66	
4. Overhead costs 200% of the wage fund	1,197.75	
5. Production cost (# 1+2+3+4)	6,109.32	
6. Profit (20% of production cost)	1,221.93	
7. Selling price (# 5+6)	7,331.25	
8. VAT (20% of selling price)	1,466.32	
Total price	8,797.57	
Costing and price calculation	Cost, USD	1,407,611.2 USD

Table 31

Mass Production

Production on the series	Radius of 30 sq. km
First year	160
Second year	200
Third year	250
Fourth year	300
Fifth year	400

SUMMARY SWOT ANALYSIS (Table 32-38)

Table 32

SWOT Analysis. Search for Strengths and Weaknesses

Search direction	Options	Key success factors in the segment	Factor rating	Better than competitors	Worse than competitors
Design	Type of packaging				
	Packing volume				
	Packing size				
	Convenience of packaging				
	Packaging aesthetics				
	Design appeal				
	Visibility design				
	Aesthetic design				
	Compliance with the design image of the product				
	Equipment size	x	1	x	
Other design options					
Product properties	Effectiveness of solving the main problem of the client	x	1	x	
	Quality	x	3	x	
	Functional characteristics of the product	x	2	x	
	Service level and post sales service	x	4		x
	Other product options				
Brand image	Images and developed opinions, improving the perception of the goods	x	2		x
	Images and developed opinions, worsening the perception of the goods	x	1	x	
Knowledge and loyalty	The level of knowledge of the product on the market	x	1		x
	Product loyalty level				
	Frequency of goods purchase	x	2		x
	Willingness to recommend products to friends				
	Brand frequency and switching	x	3	x	
Other loyalty options					
Price	Price policy flexibility				
	Ability to set higher prices	x	2	x	
	The sensitivity of the target audience to price increases				
	Effective pricing	x	1		x
	Other price options				

Latitude range	Width of product selection in the line				
	No problems with product residues (deficits or surpluses)	x	2		x
	The liquidity of each unit range	x	1		x
	The rate of release of new products	x	3		x
	Other assortment options				
Cost price	Rising cost of the product	x	1		x
	Other cost parameters				
Technology	Technological level of the company	x	1	x	
	Patents	x	3		x
	Availability of technologies to reduce production costs	x	5	x	
	Performance	x	4		x
	R&D quality	x	2	x	
	Other technological development parameters				
Distribution of goods	Distribution of goods	x	1		x
	Monopolization of sales channels	x	2		x
	Quality of goods display in RT				
	Availability of the necessary range in RT				
	Visibility of goods display				
	The share of the shelf occupied by the goods in RT				
	Other distribution options				
Promotion of goods	Quality of creativity and promotional materials	x	3	x	
	Level of conversion of contact to purchase				
	Uniqueness of the promotion strategy	x	1	x	
	Uniqueness of the promotion channels	x	2	x	
	Advertising budget				
	Voice share in the promotion channel				
	A / S				
	Other promotion options				
Investment and development	Opportunity to invest in development	x	1	x	
	Flexibility in solutions	x	3	x	
	Decision making speed				
	Company mobility in the market	x	2	x	
	Other parameters of the company's development				

Staff	Staff qualifications	x	1		x
	Number of staff				x
	Staff performance	x	2		x
	Motivation and staff involvement	x	3	x	
	Other parameters of staff quality				
Additional strengths	What competitive advantages does the product have?				
	Technological level of the company			+	
	Quality			+	
	Functional characteristics of the product			+	
	R&D quality			+	
	What are the main reasons for the purchase of goods?				
	Availability of technologies to reduce production costs			+	
	Functional characteristics of the product			+	
	Quality			+	
	Company's mobility in the market			+	
	What characteristics of the product help to set a higher price?				
	R&D quality			+	
	Uniqueness of the promotion strategy			+	
	Quality			+	
	Functional characteristics of the product			+	
Additional weakness	What are the main disadvantages of the product?				
	Low level of service and after sales service				+
	Effective pricing				+
	Possible problems with the deficit or surplus.				+
	Lack of patents				+
	What are the main reasons for refusal of the goods				
	Lack of brand awareness				+
	Rising cost of the product				+
	Duration of the order				+
	Staff qualifications				+
	What prevents to set a higher price for the product?				
	Monopolization of sales channels				+
	The rate of release of new products				+
	Lack of patents				+
	Staff performance				+

Table 33

SWOT Analysis. Verify the Capability of Selected Strengths

	Strengths	Does strength increase customer's satisfaction? (If "yes" - put "+")	Does strength increase company's profits? (If "yes" - put "+")	Does strength make difference from competitors? (If "yes" - put "+")
1	Technological level of the company	+	+	+
2	Quality		+	
3	Functional characteristics of "Happy Forest"	+	+	+
4	R&D quality		+	
5	Availability of technologies to reduce production costs	+		
6	Company's mobility in the market	+	+	+
7	The uniqueness of the promotion strategy	+	+	+

Table 34

SWOT Analysis. Check the Importance of Selected Weaknesses

	Weak sides	Does weakness reduce customer satisfaction? (If "yes" - put "+")	Does weakness reduce the company's profits? (If "yes" - put "+")
1	Low level of service and after sales service	+	+
2	Effective pricing	+	
3	Possible problems with the deficit or surplus		+
4	Lack of patents		+
5	Lack of brand awareness	+	+
6	Rising cost of "Happy Forest"	+	+
7	Staff qualifications	+	
8	Monopolization of sales channels		+
9	The rate of release of new products	+	
10	Staff performance	+	+

Table 35

SWOT Analysis. Rating Strengths and Weaknesses

	Strengths	Weaknesses
1	Technological level of the company	Low level of service and after sales service
2	Functional characteristics of “Happy Forest”	Lack of brand awareness
3	Company mobility in the market	Rising cost of “Happy Forest”
4	The uniqueness of the promotion strategy	Staff performance

Table 36

SWOT Analysis. Check the Ability of the Opportunity

	Opportunities	Can an opportunity improve customer’s satisfaction? (If “yes” - put “+”)	Can the opportunity increase company’s profits? (If “yes” - put “+”)	Are there resources for the implementation of opportunities? (If “yes” - put “+”)
1	Increase the income of client countries	+	+	+
2	State laws on the implementation of fire protection systems	-	+	+
3	Create a fund to support business at the state level	-	+	+
4	Improve the quality of services provided	+	+	-
5	Improve the efficiency of the enterprise through innovation	+	+	-
6	Special prices for regular customers	+	+	+
7	Provision of additional services	+	+	+

Table 37

SWOT Analysis. Identify Possible Threats

Search direction	Options	Sales from the threat in months
What changes in the clients can lead to the rejection of the company's goods?	Changing lifestyle	
	Changing preferences	
	Resizable circle of clients	
	Client income level change	+
	Changing the culture of product use	
	Changing behavior when choosing a product	+
	Changing product requirements	+
What changes in the external environment can lead to a decrease in demand for the product?	Other options	
	Tightening of legal regulation	+
	Deterioration of the economic situation in the country	+
	Rising costs and cost of raw materials, faster revenue growth	+
Tougher competition	Other options	
	Sign in big players	+
	Low entry barriers	
	The emergence of cheaper analogues	+
	Loss of product benefits	+
	End of the patent	
	Technology development	+
Other options		

Table 38

SWOT Analysis. Verification of Threats

	THREATS	Can the threat reduce customer's satisfaction? (If "yes" - put "+")	Can the threat reduce the company's profits? (If "yes" - put "+")	Will the threat arise within 5 years? (If "yes" - put "+")
1	Client income level change	+	+	+
2	Changing behavior when choosing a product		+	
3	Changing product requirements		+	
4	Tightening of legal regulation	+	+	+
5	Deterioration of the economic situation in the country		+	
6	Rising costs and cost of raw materials, faster revenue growth	+	-	+
7	Sign in big players		-	
8	The emergence of cheaper analogues	+	+	+
9	Loss of product benefits	+	+	
10	Technology development		-	

CONCLUSIONS AND RECOMMENDATIONS

Based on the analysis, the following recommendations were identified:

1. To increase the loyalty of the first customers of “Happy Forest”, you need to create a system of discounts for each subsequent order of customers.
2. The company's mobility in the market and unique promotion strategies make it possible to provide additional services as soon as possible.
3. It is also necessary to create a list of possible additional conditions and their prices based on the first orders.
4. The functional characteristics of the company in conjunction with the loyalty system to regular customers will increase the competitiveness of the organization.
5. To minimize the impact of deficiencies on “Happy Forest”, it is necessary to draw the attention of potential customers to its strengths with the help of advertising companies and loyalty.
6. It is essential to conduct an international advertising campaign to increase brand awareness, in particular, advertising and television advertising.
7. The competitors will also increase the value of the product, so it is necessary to constantly engage in analytics of the competitive environment and their pricing policies in order to maintain their competitive ability.
8. To increase the productivity of personnel, it is necessary to apply to popular employment agencies and hire specialists of a high professional level in the field of engineering.
9. It is important to identify potential customer desires directly during work and to offer additional services in a timely manner.
10. It is necessary to offer a cheaper “Happy Forest” to those customers whose income level has decreased or was not high enough (for example, installation of a smaller amount of equipment with blind zones).

11. Reducing the income of the country may be due to constant fires, so the equipment “Happy Forest” will be relevant in such conditions.

12. In case of failure of potential cheap competitors, “Happy Forest” will get all their customers because of the reluctance of customers to again run into cheap products.

13. It is important to monitor and react in time to occupy the niche of the main supplier in the country.

14. It is obligatory to conclude long-term contracts so that the state could not suspend the activities of the company.

15. It is important to identify the ability to produce various components of the equipment with lower costs in the country.

16. It is necessary to look for clients who are focused on high quality and level of service.

17. It is essential to constantly monitor innovations on the components of “Happy Forest” and constantly improve our product.

18. It is obligatory to seek investors and ask for financial assistance from the state.

19. It is necessary to constantly upgrade “Happy Forest” and introduce new technologies; otherwise competitors will be able to do it faster. It is extremely important to have a competitive advantage.

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Pavel V. PAVLOV

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