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PRODUCT POLICY AND FINANCIAL BUSINESS INDICATORS RELATION

The commodity industrial enterprises policy formation purpose is the conditions of competition increasing on the national and international markets is to ensure financial stability and the creation of competitive advantage in the long run.

There are many international studies on subject issues of product policy (PP) formation, which are focused on studying the marketing and production factors influence on the process of developing a comprehensive PP. There is a lack of information in these studies about the PP formation in small and medium businesses taking into account financial figures. Thus, there is a need to study the methodological foundations of the developing process of the PP.

The relation basis in the study is an integrated, systematic approach to the range (volume, structure and quality) of product offering in line with consumer demand in the long term. PP must be flexible relative to the internal features of manufacture, and also to the change of consumer preferences. The PP formation structure is presented in the form of a multi-stage process of sequential procedures transformation of the initial information about the current state and trends of the market situation and includes feedback. This is the evidence of the possibility to transform any PP adjusting phase.

In the first stage, in accordance with the studied situations analysis the problem of forming a complex product policy (CPP) has been formulated and its purpose has been defined - improving the management quality in the system of business financial indicators.

At the second stage, we differentiate the information on internal (data on the product cost structure, the rational capacity utilization) and external (the data on the state of the product demand, the structure of consumer preferences, the state of the competition in the market).

At the third stage, we choose the financial indicators to measure the product policy effectiveness. Baseline assessment of the long term product policy cost is EVA (economic value added). Integral evaluation factors is performed by means of it, which contain the final result of decisions. Constant positive value of this index indicates an increase in the value of the company, while the negative – about its decline. As the main objective of management is to increase the value of the business, the management of the economic value added is reduced to ensure the stability of the non-negative values of EVA, i.e. appropriate level of current assets profitability and investments by a competent product policy.

Economic value added is calculated as:

$$EVA = EBITDA - WACC * C,$$

where EBITDA - earnings before interest, taxes, depreciation and amortization;
WACC - weighted average cost of capital; C - valuation of capital in rubles.

The increase in the rate of economic profit from the above relationship is achieved by reducing the cost of capital, operating costs, getting rid of unproductive assets.

In the fourth stage we solve the problem of identifying and analyzing the factors that influence on the PP evaluation criterion behavior. Identified set is broken into two groups: environmental factors (financial environment, the competitive environment, well-known enterprises and demographic factors) and internal (production potential, financial opportunities and market potential). Control evaluation and influence power on identified factors on conducting an evaluation criterion CPP is based on the Delphi method [1]. The greatest influence on the criterion for evaluating the commodity policy effectiveness behavior exert market restrictions, cost structure and pricing policy. To reduce the negative impact of these factors is necessary to develop a program of internal control.

In the fifth stage, economic evaluation of PP implementation of the proposed measures is carried out. As a basic tool for the effectiveness evaluation of the proposed solutions is using the parametric dependence of the possible financial result of invest in a draft changes, ie marginal cost [2].

In the sixth stage, the control over the proposed activities implementation is carried out.

Thus, the proposed method, in essence, is a system model of sequential transformation of the original data in the process of product policy build-up of industrial enterprises, including financial indicators of business. Its implementation can improve the quality of management decisions in the process of product policy build-up of the enterprise, reduce time to production decisions and to ensure the long-term increase in economic value added (EVA). The presence of the feedback relation between the different stages of the product policy formation allows to implement quickly corrective action as in the product policy development, and in its implementation.

References:

1. BG Litvak Expert technology in management – M.: Case, 2010.
2. Irikov V.A., VA Balashov Reform and restructuring of enterprises: methodology and experience. – AM: Publishing Pryor, 2013.

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MARKET IMPACT ON BUSINESS ENTERPRISE ACTIVITY

The entrepreneurship and various forms of business property to respond quickly to market conditions and thus confer market economy the necessary flexibility is particularly important in the present circumstances, when there is rapid individualization and consumer demand differentiation, the scientific and technical progress acceleration, the range of goods and services expansion.