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(ПОЯСНЮВАЛЬНА ЗАПИСКА)

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«МАГІСТР»

Тема: Стратегічне управління зовнішньоекономічною діяльністю Державного підприємства «Міжнародний аеропорт «Бориспіль»

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QUALIFICATION PAPER

(EXPLANATORY NOTE)

GRADUATE OF MASTER'S DEGREE

Topic: Strategic Management of Foreign Economic Activity of the State Enterprise
"Boryspil International Airport"

Performed by: Pekar Yuliia Serhiivna

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TASK

To perform Master Thesis by student

Pekar Yuliia Serhiivna

(surname, name, patronymic)

1. Topic of thesis: **Strategic Management of Foreign Economic Activity of the State Enterprise “Boryspil International Airport”** approved by the Rector order of 01.10.2020, №1848/CT
2. Deadline of thesis: from 05.10.2020 to 31.12.2020
3. Initial data for thesis: **Accounting reports of the State Enterprise “Boryspil International Airport”, Charter, scientific papers.**
4. Content of the explanatory note (list of issues to be developed):
Required: to study and to analyse the essence of the strategic management of foreign economic activity, peculiarities for assessment of strategic potential, strategic partnerships; conduct an analysis of activity of State enterprise “Boryspil International Airport”; suggest options for development of strategic partnership and justify the ways of its implementation, analyse business activity of Amazon Inc., make the projection for the effect of the partnership.

The list of mandatory graphic material:

Theoretical part: tables – 4, fig. – 17

Analytical and research part: tables – 15, fig. – 20

Project and advisory part: tables – 6, fig. – 5

SCHEDULE

№	Stages of Master Thesis performing	Deadline	Note
1.	Collection and analysis of accounting of SE “Boryspil International Airport”	01.09.2020 - 04.10.2020	done
2.	Identification and analysis of strategic management and strategic partnership in foreign economic activity	05.10.2020-15.10.2020	done
3.	Analysis of financial and economic state of SE “Boryspil International Airport” and strategic planning of the company	till 25.10.2020	done
4.	Design the references used in the analysis of strategic planning of the company	till 29.10.2020	done
5.	Preparation and execution of analytical and research part of the thesis	till 01.11.2020	done
6.	Preparation and presentation of the theoretical part	till 05.11.2020	done
7.	Choice of the ways of strategic management of the enterprise and its realization, justification of the suggested measures in the project part, analysis of financial and economic and partnership activity of Amazon Inc., calculation of main economic indicators	till 25.11.2020	done
8.	Design of recommendatory section of the Master Thesis	till 01.12.2020	done
9.	The final design of the Master Thesis (contents, introduction, conclusions, appendices, etc.)	till 05.12.2020	done
10.	Report and presentation preparation	till 10.12.2020	done
11.	The signing of the necessary documents in the established order, preparing to defend the thesis and preliminary thesis defense on graduating department meeting	till 12.12.2020	done

Student _____

(Pekar Y.S.)

Scientific advisor _____

(PhD, assoc. prof. Kolesnyk M.V.)

A LIST OF SYMBOLS, ABBREVIATIONS AND TERMS

ALC – aviation logistic centre

DC – dynamic capabilities

KPI – key performance indicators

LOI – letter of intent

MBO – management-by-objectives

NDA – non-disclosure agreement

PDM – participative decision making

R&D – research and development

RBV – resource-based views

SCA - sustained competitive advantage

SM – strategic management

SOP - Standard Operating Procedures

АНОТАЦІЯ

Дипломна робота присвячена дослідженню теоретичних та методологічних основ стратегічного менеджменту та партнерств, проведена характеристика стратегічного планування компанії. У роботі запропоновані заходи з диверсифікації компанії через створення авіаційного логістичного хабу та проекта партнерства з компанією Amazon Air на базі Державного підприємства «Міжнародний аеропорт Бориспіль».

У вступі визначено актуальність та практичну цінність обраної теми дослідження, основну мету та завдання дослідження, зазначено предмет та об'єкт дослідження, вказано наукові методи дослідження.

Перший розділ присвячено теоретичним основам стратегічного управління та планування: розкрито сутність поняття стратегія, визначена структура та процес стратегічного менеджменту.

У другому розділі наведена характеристика досліджуваного підприємства, проведено аналіз його фінансово-економічної діяльності та стратегічного управління. Проаналізовано діяльність компанії Amazon Inc. за напрямками електронної комерції та служби доставки.

У третьому розділі вказане обґрунтування обраної стратегії, пояснена суть проекту партнерства між ДП «Міжнародний аеропорт Бориспіль» та Amazon Inc., проведена оцінка впливу на прибуток.

У висновках та пропозиціях узагальнено результати дослідження.

Ключові слова: стратегія, стратегічне управління, стратегічне партнерство, організація, менеджмент зовнішньоекономічної діяльності, авіація, прогнозування.

АННОТАЦИЯ

Дипломная работа посвящена исследованию теоретических и методологических основ стратегического менеджмента и партнерств, проведена характеристика стратегического планирования компании. В работе предложены меры по диверсификации компании через создание авиационного логистического хаба и партнерства с компанией Amazon на базе Государственного предприятия «Международный аэропорт Борисполь».

Во введении определены актуальность и практическая ценность темы исследования, основная цель и задачи исследования, отмечено предмет и объект исследования, указано научные методы исследования.

Первый раздел посвящен теоретическим основам стратегического управления и планирования: раскрыта сущность понятия стратегия, определена структура и процесс стратегического менеджмента.

Во втором разделе приведена характеристика исследуемого предприятия, проведен анализ его финансово-экономической деятельности и стратегического управления. Проанализирована деятельность компании Amazon по направлениям электронной коммерции и службы доставки.

В третьем разделе указанное обоснование выбранной стратегии, объяснена суть партнерства между ГП «Международный аэропорт Борисполь» и Amazon, проведена оценка влияния на прибыль.

В выводах и предложениях обобщены результаты исследования.

Ключевые слова: стратегия, стратегическое управление, стратегическое партнерство, организация, менеджмент внешнеэкономической деятельности, авиация, прогнозирование.

ABSTRACT

The thesis is devoted to the study of theoretical and methodological foundations of strategic management and partnerships, the characteristics of strategic planning of the company. The work proposes measures to diversify the company through the creation of an aviation logistics hub and partnership with Amazon on the basis of the State Enterprise "Boryspil International Airport".

The introduction defines the relevance and practical value of the research topic, the main goal and objectives of the research, the subject and object of the research, the scientific methods of research are indicated.

The first section is devoted to the theoretical foundations of strategic management and planning: disclosed the essence of the concept of strategy, defined the structure and process of strategic management.

In the second section, the characteristic of the company under study, the analysis of its financial and economic activity and strategic management are given. The activities of Amazon in the areas of e-commerce and delivery service are analysed.

The third section provides the rationale for the chosen strategy, the essence of the partnership between the State Enterprise "Boryspil International Airport" and Amazon, the evaluation of the impact on revenue.

The conclusions and suggestions summarized the results of the study.

Keywords: strategy, strategic management, strategic partnership, organization, management of foreign economic activity, aviation, forecasting.

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INTRODUCTION

Relevance. The aviation industry plays an important role in the country's transportation system and in international transport links. In recent years, Ukraine has had the opportunity to develop and implement new projects, technologies and equipment in airports. Capital-intensive airports are such an economic structure that it takes many years to recover significant capital investments in runways and terminals. The increasing deregulation and liberalization of the aviation environment has prompted many airport executives to rethink their traditional business models and focus on new commercial activities to achieve self-sufficiency and financial independence, to support airport development in line with customer needs. One of the requirements for productivity is to increase local and transit passenger traffic and cargo turnover at Boryspil International Airport. Ukrainian aviation cargo sector takes less than 1% of total cargo deliveries. However, there is no particular study on the cargo sector in aviation.

The aim of the work is theoretical foundation of strategic management and partnership, proposition and evaluation of the strategic partnership for the company.

Tasks of work. To achieve the aim of the work, the following tasks should be set and solved:

- to reveal the concept of strategy and its role in the organization;
- to study theoretical aspects of strategic management at the company;
- to reveal the concept of strategic partnership and its framework;
- to conduct an analysis of the activity of the State Enterprise “Boryspil International Airport”;
- to conduct an analysis of the business activity of Amazon Inc.;
- to describe the strategic partnership components for Boryspil;
- to describe the essence of partnership between Boryspil and Amazon Inc.;
- to make projection on revenue impact from partnership;
- to evaluate efficiency of proposed strategy.

The object of the study is the strategic management of enterprise.

The subject of the study is the principles, methods and tools for managing the strategic activity of enterprise.

Literature review. A significant contribution to the formation and development of strategic planning was made by I. Ansoff, R. Ackoff, A. Thompson, A. J. Strickland, and M. Porter. Modern researchers of strategic management are A.S. Vikhansky, Z.E. Shershneva, V.P. Sladkevich, A.P. Mishchenko etc.

Research methods. The theoretical and methodological basis of the research are the fundamental positions of the general economic theory, scientific works of domestic and foreign scientists and experts on planning and organization of strategic management while performing foreign economic activity and projections of potential impact of the proposed activity,

In the course of research, the following methods were used: a systematic approach (for studying corporate and business strategy), financial and economic analysis (for studying the state of financial position of the enterprise), valuation (for making projection of revenue), graphical (for visual presentation of the research results).

Information base of the study: accounting reports of State enterprise “Boryspil International Airport”: balance (form №1), Report on financial results (form №2); income statement of Amazon Inc., scientific studies, Internet resources.

Scientific novelty of the obtained results is as follows. There are has been development of research about the necessity of aviation logistic hub for the airport, described the potential benefits. Potential partnership indicating tasks, problems, targets for improving foreign economic activity of the enterprise and gaining market share was states.

The practical significance of the results is that their implementation allows the company to effectively manage strategic performance and to gain market share and source of revenue, Moreover, the proposed activity will positively impact the brand name of the enterprise and give the possibility to be competitive on the global market. In times of pandemic proposed activity would be a necessary action to stay on the market.

Possible ways of further research could be additional measure of developing aviation cargo hub in terms of strategic management to enter the foreign markets and attract new partners. Further research may lay on the important question on how intentions are conceived in the human brain, what intentions really mean. Because strategy is the result of humans' brainstorming laid on the available resources and competences in the company.

CHAPTER 1. STRATEGIC MANAGEMENT AND STRATEGIC PLANNING IN THE FOREIGN ECONOMIC ACTIVITY OF THE ENTERPRISE

1.1. Importance of strategy: basic concepts and peculiarities

Strategy can be defined as plan which is used by the companies to achieve a favorable position by accomplishment of the long-term objectives at reasonable expenses considering all the resources available, competences, and external and internal environment in which the company operates. The strategy to be completed it includes a certain set of actions taken by the company's executives to achieve high-class performance relative to its peers and competitors. According to Jordan and Grant It is a common practice to compare strategy with a tactic, where strategy is more general concept which relates to winning "the war", while tactic is a prearrangement for specific battle to reach smaller goals. While dealing with strategic management, it is necessary to define the purpose and direction in order to ensure that capabilities will be used in efficient way and decisions of different individuals are coordinated [1].

One more important concept is that strategy means evolution, and that positioning, one of the most crucial peculiarities of strategy, is reflected today as too static in a dynamic business environment [5].

According to Mintzberg, strategy is a plan that outlines a rational path that should be taking to an action, a guide to face a situation, but a plan that needs actions and execution [6,7]. However, Mintzberg didn't agree that strategic planning and strategic management is the same concept, or it is connector between planning and management, because he believed that plan is something static, but strategy ends up with dynamism that constitutes the word "action". Moreover, strategic planning is not a strategic thinking; one is analysis, and the other is synthesis [6].

Strategy supplements the term management, in that way that in an organization, strategy entails those arrangements planned by the leading board of an organization that

outlines the way in which the latter functions and managements its processes to succeed with its goals [3,4].

According to Andrews, financial planning and investment valuation which were as a long-term objective in the late 1950s were gathered together under one theory of corporate planning [2]. This theory combined the following aspects of planning:

- identifying five years goals and objectives;
- forecasting economic trends which included market share and demand for particular product, costs of goods sold and operating costs and revenues;
- setting up the significances for business parts and goods;
- assigning capital expenditures [2].

Drucker also launched the concept management-by objectives (MBO) in 1970s. However, this concept was not a popular tool, leading MBO in most organization to pay attention on a numerous narrow measures and initiatives not linked to high-level organizational objectives or even coordinated with each other [8]. Literally, there was not a synergy between planning and execution.

Later, certainty in corporate planning technique effectiveness was questioned during the following 20 years since the international market position was becoming more complicated and volatile. Corporations just could not make projection so far anymore. That became a reason for transition from corporate planning to strategic management with an increased focus on competition. Competition occurred a core distinctive of a business ecosystem and formation of a competitive advantage as a dominant purpose of a strategy. Strategic decision is more about long-term progress of a firm which required a dissimilar method to a problem of recognizing a individual competency, or competitive advantage over the industry opponents, which would be invariable in the long run. The difference is crucial for the reason of making a strategic choice when investing in long-term projects which encompass higher risks.

Nowadays, company more or less clearly understand what strategy is, however, often confuse it with operational efficiency. Let us take a closer look at these two concepts. Operational efficiency could be taken as current picture of well-performed management and resources allocation. Indeed, strategy goes further to planning and

anticipating. Porter paid a lot of attention to distinguish operational efficiency and competitive strategy. On the one side, we are aware that strategy relied on unique activities that add value to a customer and therefore leads to “strategic position” (in terms of variety, satisfaction of needs, based on customer access to a particular goods or services). On the other hand, Porter also mentioned “disjunctive strategies” meaning that desire to achieve a strategic position fire desire to achieve all strategic position at the same time; management should be selective which means a disjunctive. Porter emphasizes three main differentiations or generic strategies – lower cost, differentiated or focus [5].

Following the research of Porter, Mintzberg proposed a Mintzberg 5P’s strategy which composes the following terms – plan, ploy, pattern, position, perspective. [9].

Strategy is a plan, strategy contracts with how leaders try to establish direction for organization, to agree prearranged courses of action. Strategy-ploy creates the realm of direct competition, where all the threats and feints are taken into action to gain an advantage. Strategy-pattern means that strategy always focuses on action and consistency in behavior. Strategy-position encourages to look at organization from the other side, from the competitive environment. Strategy-perspective raises question on intention and behavior in collective context.

One of the main reasons why strategy is important is because it is not only focusing on the most efficient activities for the company, but good executives identify the preeminent tasks what should be kept and progress to reflect changes in the competitive landscape.

To sum-ups the strategy is essential since it (1) sets direction, (2) focuses effort, (3) defines the organization, (4) provides consistency.

The strategic management which involved the investigation of industry and competitive positioning had also converted to a instrument to estimate and determine the best pair of company’s prospects and resources which led to the creation of a SWOT (“Strengths”, “weaknesses”, “opportunities” and “threats”) model. SWOT-model is widely accepted as a strategic management tool serving companies’ strategic emphasis ignoring the size and industry of operation. Later Igor Ansoff developed an Ansoff matrix which is a model to offer four alternatives for growth. They include:

- market penetration (company's effort to cultivate sales without exit the original product-market strategy through increase the volume of sales to its existing customer or by finding new clients for present products);
- market development (attempt of the company present product line with some modifications to new operations);
- product development (retain current mission but developing new products which are supposed to upgrade that operations);
- diversification (calls for passing both from the existing product line and the current market structure).

At the beginning of 21st century when digital technologies literally have captured the world, strategic management also was impacted by new principles and practices. The ever-accelerating pace of change in the global marketplace means that strategy is not only about planning, but also about generating future options and encouraging strategic innovation. These changes led to increased awareness of the company's corporate social responsibility practices, ethics and sustainability of the natural environment, which played a crucial role in long-term corporate success.

1.2. Strategic management structure

Over time, many concepts and methods of strategic management were developed by academic researchers and successfully used by practicing businessmen. However, some of its fundamental concepts are represented by strategic thinking and strategic planning, which by their nature differ from each other, but at the same time complement and connect the thinking processes that support each other through the formation of strategy and around it.

Strategic planning is an analytical method of managing strategic management processes in order to obtain data and analysis, which are later used as input data for strategic thinking. It is then a process of strategic thinking that helps synthesize these data ("connect dots"), resulting in a strategy.

Strategic thinking is about generating and applying new business websites to existing opportunities to create competitive advantages for an organization. This process involves checking the assumptions underlying the existing value proposition of the firm. It is about looking at everything that a manager learns from all sources (market research, personal experience, etc.) and then translating that learning into a certain direction for business.

Let us compare the strategic thinking and strategic planning in more details in Table 1.1.

Table 1.1

Strategic thinking and strategic planning comparison [6]

Aspect	Strategic Planning	Strategic Thinking
Prospects	Future is predictable, specific, given in details	Only the form of the future is predictable
Strategic formulation and implementation	The roles are clearly specified	Interactive, not sequential and discrete
Executive role	Duties are specific, narrowly focused and independent	Managers at all levels are almost equally involved and functionally connected
Control	Supports management with measurement systems, assuming that organizations can accurately and quickly measure and monitor important variables	Based on a sense of strategic intent that guides managers' choice every day in a process that is difficult to measure and observe
Strategy making	The task of determining the strategic direction is mainly analytical	Searching for and implementing new strategic options is more important than evaluation
Process and outcomes	Focus, ultimately, on creating a plan	Focused on the planning process itself

Initially, the methods of strategic management were mainly practiced by large corporations working in several industries. Though, the increasing intensity and variability of industries, costly missteps, risks of mistakes and economic collapse encourage modern business professionals to take strategic management extremely

seriously if they want to keep their corporations competitive. Thus, when companies have to cope better with the shifting world, they may evolve through the strategic management phases depicted in Figure 1.1.

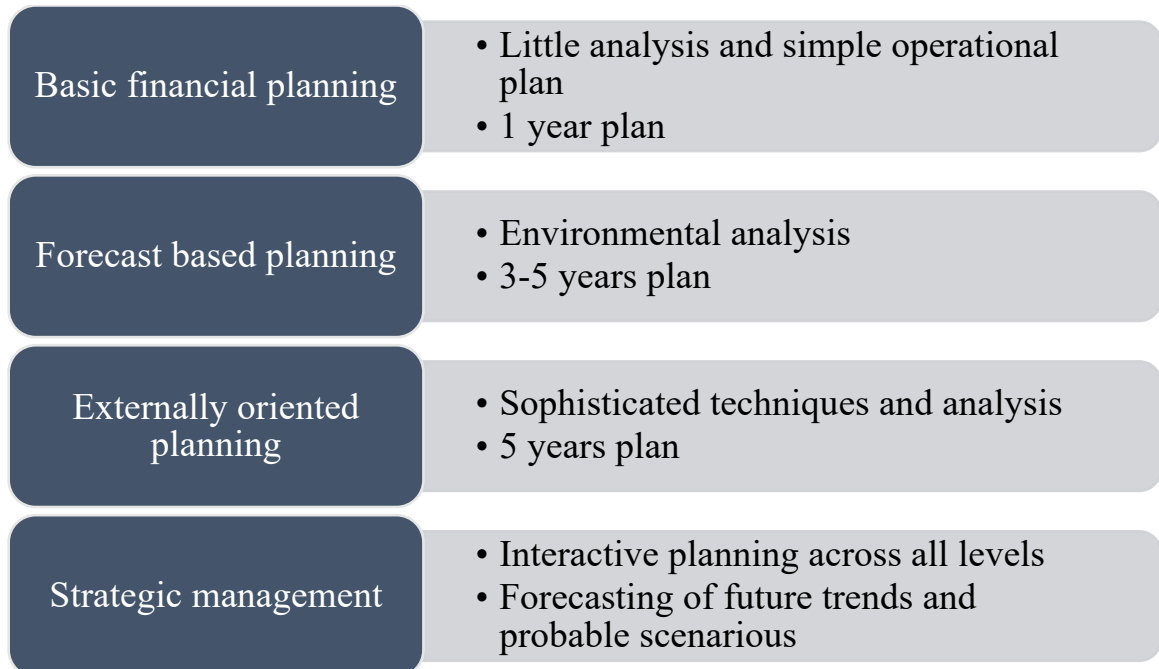


Fig. 1.1. Strategic management phases
(made by author)

However, there are several approaches for strategic management process. Strategic programming contains 3 paces: codification, elaboration, conversion of strategies [6]. Codification is related to expounding and expressing strategies in terms that are clear enough to formally reproduce them so that their effects can be detailed. It requires a decent explanation and close devotion to what may be lost in pronunciation: nuance, subtlety and qualification. Elaboration means separating the codified strategies into sub strategies and special programs, and general action plans that define what must be done to implement each strategy. And conversion means reflecting the effect on an organization's performance [6].

Porter designated that strategic management process could be compound to the five competitive forces framework, which is the starting point for the strategy creation. This important because before starting the strategy development or even business, it is

important to know what average profitability of the industry are, how has it been changing over time, understand what the competitive landscape is, reveal company's strengths and weaknesses [10].

Before starting strategic management, it is crucial to reveal whether your employee would be included in the process and what are the possible consequences of their participation and their actions. According to Daniels and Bailey participative decision making (PDM) has a positive impact on the mental health of the employees, job satisfaction and productivity. It is expressed, firstly, through direct impact on job satisfaction that reflects an internal biological desire to influence the environment or a sense of skill and competence associated with successful environmental impact. Secondly, PDM allows people to operate the environment to reduce foundations of anxiety [11].

Let us dive deeper in the environment in which company operates. There are six scopes in which the company involved.

1. The command scope manifests in such a way that strategy is focused in a central figure, thus the reduction of job satisfaction occurs.

2. The planning scope find its top appearance in the well-defined targets and objectives (remove ambiguity) that are communicated to all organization and evaluated periodically.

3. The incremental scope means that strategy can be changed, analyzed plenty of times in order to choose the most successful one.

4. The cultural scope means that strategy embellishment varies on managerial proficiency, prospects and views.

5. The political scope takes into account stakeholders – those who have power.

6. Enforced choice which is hard to predict and often out of the control of an organization.

The dynamic notion of the strategy is related not only to competition on the current market, but also to the groundwork and setting of goals for the future. When deliberating a firm's strategy, the chief difference can be made between the two types of strategy, which are summarized in Table 1.2.

Table 1.2

Difference between corporate and business strategy [12]

Types of strategy	Business strategy	Corporate strategy
Key question to earn	How to compete?	Where to compete?
Key factor	Competitive advantage	Industry attractiveness
Role for business	Strategy as a plan	Strategy as a direction
Dimension	Product market dimension Geographical dimension Vertical dimension The basis of a firm's competitive advantage	Vision statement Mission statement Performance goals M&A, alliances Organic growth Guidelines for development Proprieties for Capex R&D

Thus, three straightforward models that are not mutually exclusive were established to deliver a method to define a specific part of business performance to which the term "strategy" applies [12].

The linear strategy attentions on the methodological, direction and follow-up actions involved in the planning. The outcome indicators include profit and productivity. So, the corporation's managers plan how to achieve their organizational goals when dealing with competitors.

The adaptive strategy is grounded on the knowledge that the company should continuously evaluate the exterior environment and internal conditions, which should lead to alterations in organizational competences to achieve perfect "fit". Its behavior can be defined as more fluid in relation to the environment, proactive or reactive, in order to meet the preferences of clients.

The interpretive model of the strategy focuses on symbols and language to influence consumers' minds instead of focusing on the physical product. The main objective of such a strategy is to succeed the legitimacy and trust of stakeholders [12].

Nevertheless, which type or model of strategy is chosen it is crucial to follow the factors which are presented at Fig. 1.2 because paying attention on the only goal without putting enough attention to other areas will lead to failure.

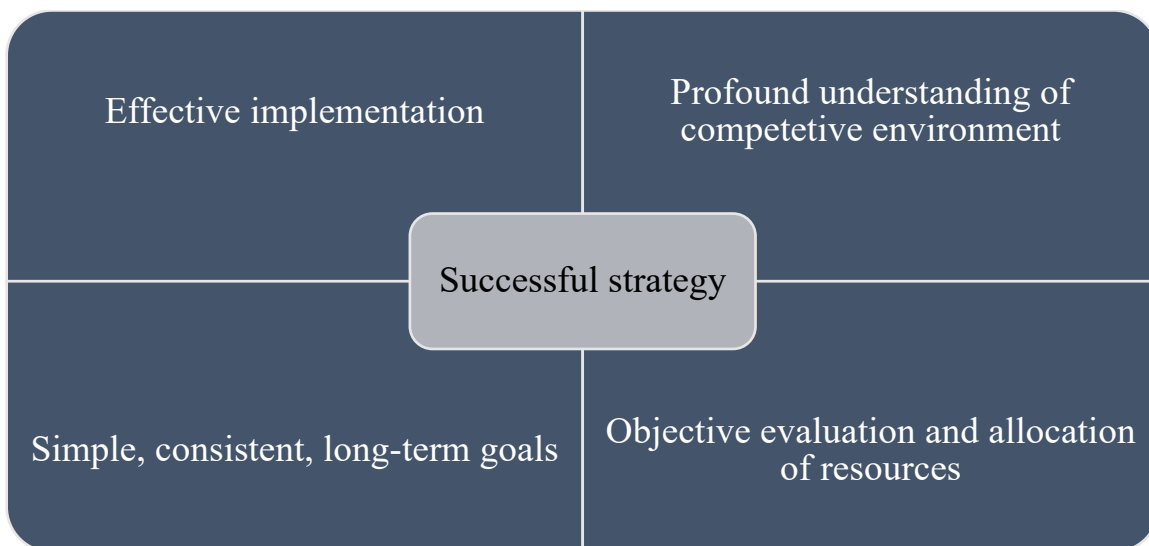


Fig. 1.2. Successful strategy factors [1]

Strategic management is the formulation and implementation of key goals and projects by the organization's leadership on its name of shareholders (or owners).

Strategic management is the continuous planning, monitoring, analysis and evaluation of all the needs necessary for the organization to achieve its goals and objectives. Strategic management comprises three major means – formulation, implementation and monitoring (Fig.1.3).



Fig.1.3. Strategic management process

(made by author)

As a rule, the process of formulation begins with an appraisal of existing resources, industry analysis to estimate the competitive environment in which the company carries out its activity, and internal assessment of activity. Based on this overall assessment, a strategy is developed to achieve the intended objectives. The implementation of the formulated strategy is aimed at guiding and coordinating the company with its main objectives.

Formulation. The formulation process consists of choosing the most appropriate course of action to achieve organizational goals and organizational vision, based on the resources and capabilities of the company, as well as its environmental outlook. The strategy formulation process consists of several stages that managers must go through in order to achieve the best possible result. First, identify and set long-term organizational goals (including quantitative goals) and determine the factors that influence strategic decision making. Second, the organization must assess the environment in which it operates and reconsider its competitive position. Thus, environmental scanning methods are used to determine the development and prediction of factors influencing the success of the organization. Environmental scanning is the process of obtaining and using information about trends, patterns and connections in the internal and external environment of an organization [13].

Internal analysis assists to recognize strengths and weaknesses within the organization. It covers all connections between employees, management, shareholders, organizational structure and management system, access to resources (e.g., assets, skills, competencies), values and commitments, operational success and potential, etc [13].

External analysis covers two different environmental level – industrials (microenvironment) and socio-economic (macroenvironment).

Industry (microenvironment). In this case The Porter's 5 forces analysis is applicable to identify the main factors affecting organizational task environment – level of competition, development of business strategy. This framework is described at Fig.1.4 and basically these forces affect the ability of the company gain revenue and create the best user experience for the customers; horizontal competition shows threat of new and established peers and a product substitution threat while the vertical competition involves the power of suppliers and customers.

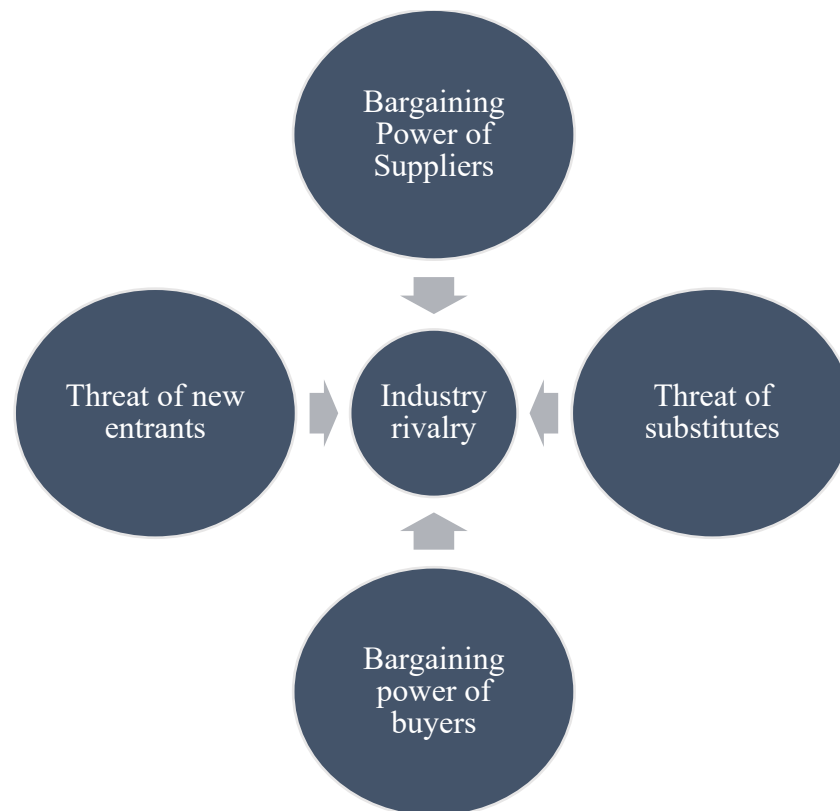


Fig. 1.4. Representation of Porter's 5 Forces
(made by author)

Socio-economic (macro) environment. The most important variables to deliberate when analyzing domestic or foreign environment is depicted in PESTEL framework. This framework (Table. 1.3) is a business measurement tool which is used to analyze external impact which help to get macro factors (market growth or decline, business position or direction for operations).

The final step in the strategy formulation is performance analysis in the form of critical evaluation and identification the areas for development, i.e., gaps that exists between the company's present position and a desired future state. At the end of the three main stages, the strategy is selected using a decision matrix between several developed options/decisions [13].

Table 1.3

PESTEL framework

Political	Economical	Sociocultural
Tax policy Trade restrictions and Regulations Tariffs Political stability Foreign trade policy	GDP trends and economic growth Interest and inflation rates Global financial system Exchange rates Unemployment Income and price levels	Population growth rates Age distribution Birthrates and life expectancy Lifestyle changes Career attitudes Consumer activism Health care and safety Level of education
Technological	Environmental	Legal
R&D investment Rate of technological change Automation Internet availability Telecommunication infrastructure	Climate change Global warming Weather Pollution Availability of natural resources	Antitrust regulation Immigration legislation Labor law Environmental law Health and safety law Consumer law Employment law

Implementation. Once the central strategy has been formulated to accomplish a certain direction, the matrix should be rolled into an action plan, which is the second main part of strategic management - implementation. This is the process by which goals, objectives and policies are comprehended through planning and development of programs, procedures and budget. Poor implementation, which leads to a complete strategic failure, most often occurs for a number of reasons: unrealistic expectations, lack of communication, structural problems, loss of pace, unclear strategic fit or weak commitment of top management. To avoid any of these shortcomings, strategy developers should consider the following issues [14] – responsible people for strategic plan, priority actions to build organizational activities in a new direction, cooperation in a team to get drastic action.

The implementation phase needs even more special labor force than strategy's formulation. In most large and multi-industry companies, anyone can be an implementer of a strategic program, and every employee or manager who carries out daily activities

must be involved in this process. Thus, the best organizational effectiveness is attained when people at all functional levels are involved in strategy implementation [14].

The adoption of the strategy includes the development of programs for the production of new activities, budget funds for the allocation of capital for these new activities, as well as procedures for the management of daily activities [14].

- Program. The goals of a program is making a strategy ready to action. In order to assess the likely impact of new programs within a company's processes, they must be compared to existing programs. For this reason, the so-called Matrix of changes is offered, which will help to determine the speed and order of changes (when, where and how fast), stability and consistency of systems, etc. It addresses several questions for decision makers regarding program feasibility, sequencing and stopping points, suitability of location, pace and nature of changes (slow/fast, incremental/radical), and stakeholder assessments.

- Budget. Financial planning is necessary to ensure that the company's strategy is practicable and applied. Ideally, there should be no large financial restraints or perceived costs that slow down the implementation process.

- Procedures. Once the program and budget are approved, procedures should be developed, often called Standard Operating Procedures (SOPs). Such organizational procedures are the main approaches by which companies perform certain activities. Properly planned activities should be updated daily to be consistent across time and departments and to reproduce any changes in strategy. In this way, procedures help rationalize work projects and avoid poor maintenance and duplication of communications.

According to Wheelen & Hunger any modifications in corporate strategy are likely to necessitate some changes in the structure of the organization and in the number of skills required for further successful implementation [14]. While companies with similar strategies in the same industries tend to develop and follow similar structures, the organizational structure is different depending on the environment and there is no optimal organizational design. More often than not, the need for more advanced structural changes within an organization arises under the following conditions:

- growing environmental uncertainty;
- broader use of complex technological methods of production and information systems;
- growing scope and activities of global business corporations;
- increased focus on multi-sector competitive strategy;
- more trained personnel of managers and employees.

Thus, in order to tackle internal (lack of resources and ability, inflexibility of top management, etc.) and external (economic obstacles, lack of market growth, lack of labor) modules of change, all the company's assets, including people and processes, its structure and environment, must be generated and brought in line with strategic goals, otherwise organizational effectiveness can be severely affected.

Evaluation. Evaluation and control are just as important as strategy formulation, as they ensure the company's efficiency in reaching the expected outcomes. The process of monitoring the company is carried out in the form of a five-step response model proposed by Wheelan & Hunger.

1. Decide what and how to measure - the processes and results of implementation should be such that they can be measured in a meaningful, fair and consistent manner. Both quantitative and qualitative criteria can be used for integrated assessment.

2. Setting Performance Standards - a detailed statement of the strategic targets that are reasonable performance outcomes, including permissible deviations, should be established as a benchmark.

3. Measuring actual performance.

4. Analysis of difference between actual and standard performance - when analyzing the difference between actual and desired performance, the tolerance range is determined. In case of a positive deviation (better than expected) this stops the evaluation process. Otherwise, the cause of the deviation must be determined, and corrective measures taken to address it.

5. Undertake corrective actions - if practice demonstrates performance that goes beyond the desired benchmark, new actions should be developed with the following issues in mind:

- a. Is the deviation caused by a random fluctuation?
- b. Are the processes performed incorrectly?
- c. Are the processes suitable for obtaining the desired results? New action should not only correct an existing deviation, but also prevent its occurrence in the and in the future.
- d. Who is the most suitable person to take corrective action?

In addition, the company should develop appropriate assessment and control systems to track certain functions, departments, projects or financial indicators. It is essential to be aware that the strategy formulation and environmental scanning required for strategic management is only the starting point of the basic process, as the implementation with the coordination and execution of all daily operations at the workplace is the stage where most failures occur [14]. The entire strategic planning process can be summarized in Figure 1.5 below:

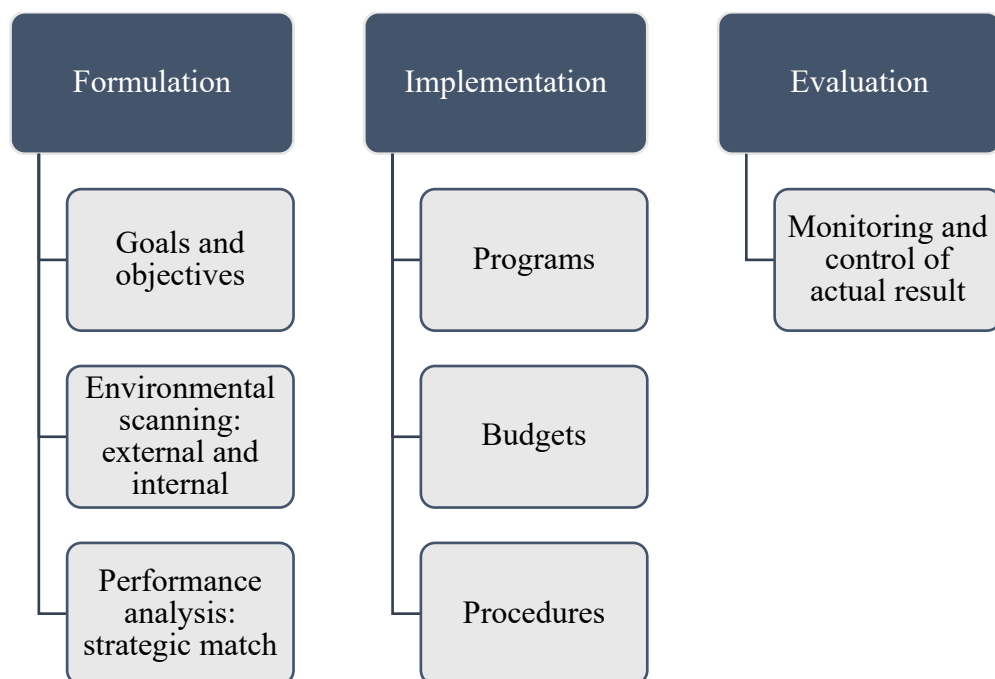


Fig. 1.5. Strategic management process [13]

The strategy enhances and facilitates the decision-making process by limiting a number of alternatives and cutting the time to find the most appropriate solutions. Strategic management delivers a solid vision for the firm and enables companies to focus

more actively on strategic aspects. The strategy development process stimulates the use of analytical tools and enables the integration of the knowledge of different individuals. It can also be a coordinating mechanism or a communication tool to effectively provide the most important information on goals and targets to all business participants. Precisely performed strategic management guides and guides people within organizations, makes them more mobile, promotes and adheres to the same direction and focus.

In general, to achieve successful strategic alignment, a company must be coherent in its external environment, which includes relationships with competitors, customers and suppliers as well as internal goals, capabilities and structures [1]. Figure 1.6 shows the strategy as the link between the company's resources and the environment.

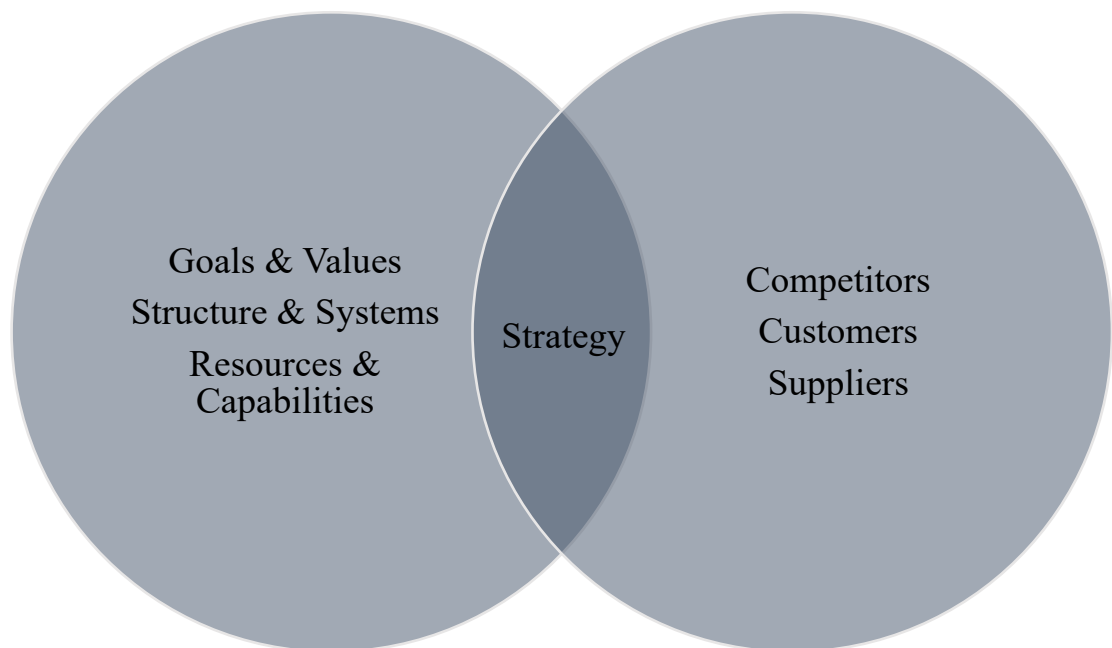


Fig. 1.6. Strategy linking form and its environment [1]

Finally, the strategy is implemented by transforming the organizational structure, selecting the right people to take action and accurately informing how to implement the strategy [14].

Talking about the framework for strategic management, it is built on the four components, which are depicted on the Fig. 1.7 and discussed below.

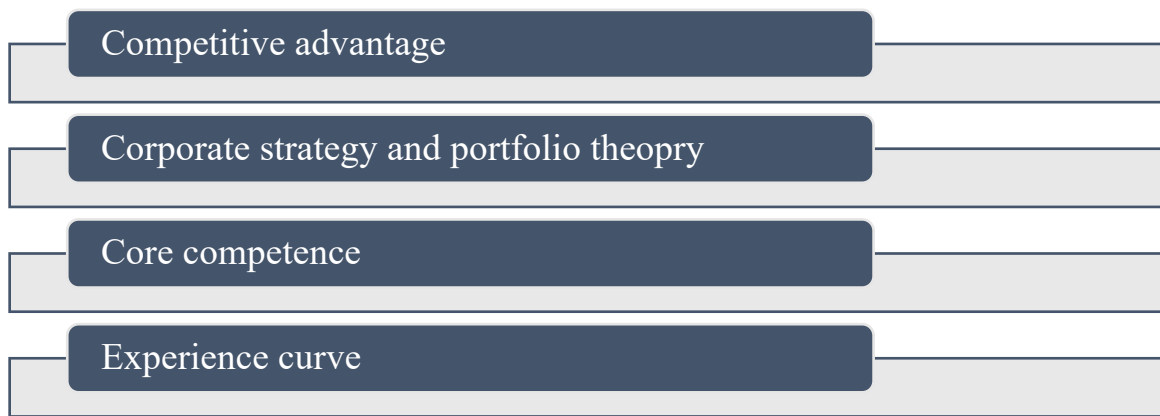


Fig.1.7. Strategic management framework [23]

Competitive advantage could be gained through the reduction of the cost of production or product differentiation. The organization may reach either a reduction in production costs or differentiation as an advantage over competitors. It is especially important to consider the market positioning of the brand and the company, as well as to identify all the competitive advantages of the company over its competitors.

Corporate strategy and portfolio theory. Modern portfolio theory offers a basis for asset distribution in such a way that at a specified risk level the anticipated return is the highest. Portfolio theory provides corporations with a cost-benefit analysis of resource allocation and the advantages of individual resource allocation for the company as a whole.

The share growth matrix developed by Boston Consulting Group facilitates corporations to examine the value of individual business units, building the business on an axis. Two assessment criteria are market share - a measure of a business unit's competitive position with respect to competitors - and industry growth rates - a measure of the prospects for the development of a certain industry in which the business unit operates.

Core competence. Enterprises shall strive for the creation of expert knowledge in areas related to relative perfection, as well as the liquidation or outsourcing of the remainder of their business activities. Having this opportunity, the organization can provide a one-of-a-kind and unprecedented product, service or prospect for the market and consumers.

Experience curve assumes that whenever the volume of production doubles, the cost of value added is reduced by a sequential percentage (Fig. 1.8).

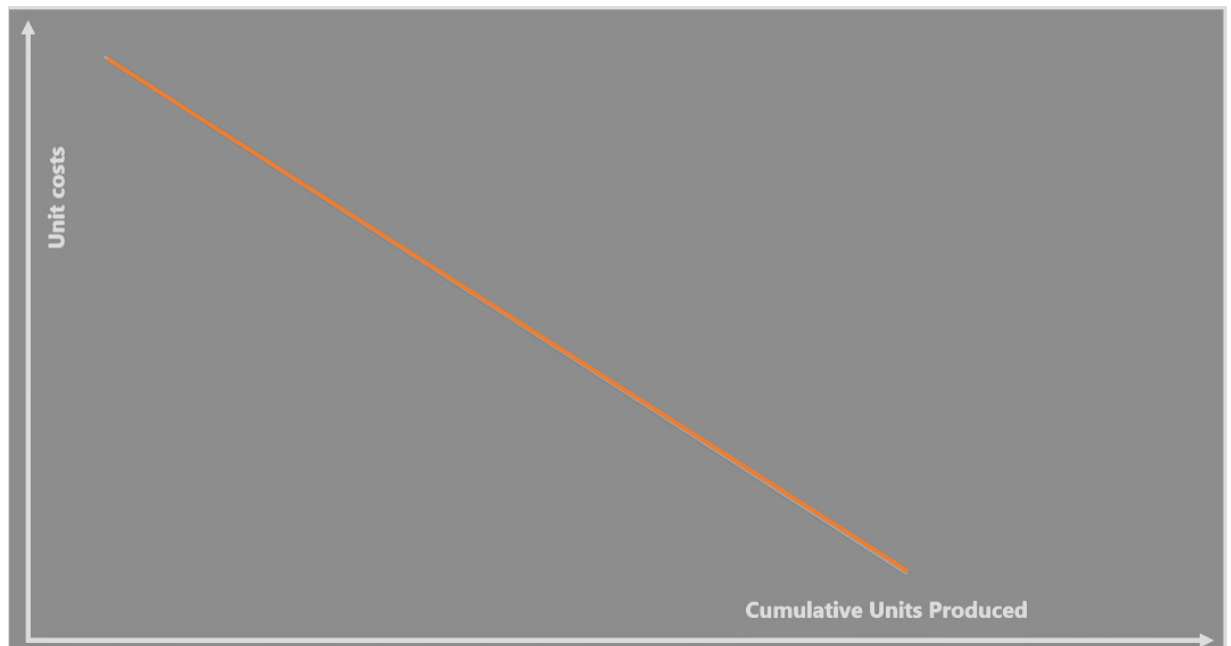


Fig.1.8. Experience curve [23]

Further we will describe the role of company's resources, routines and processes as the basis of sustained competitive advantage into resource-based view (RBV) and dynamic capabilities (DC). Firstly, the significance of the RBV and DC approaches is briefly mentioned, as well as the main characteristics of these approaches. Secondly, RBV and DC are seen as an important element for achieving sustained competitive advantage (SCA).

Resource-based view, in accordance with the theory of enterprise growth, the latter consists of human and non-human resources, with managerial and supervisory coordination and communication [15]. Internal resources could be viewed as a source for growth in terms of knowledge, added value, innovation [16]. Manager is the most important role in the development and growth of the company. But external environment has been an image in minds of executives. Internal resources and capabilities gained more and more importance until 80's driven by growth of an unstable environment (required a more reliable basis for strategy formulation), the thriving idea that the main source of profitability is competitive advantage, not the attractiveness of the industry, the existence

of a world in which consumer preferences and the pace of adoption of new technologies are unpredictable [17].

RBV and DC, as we shall see, correspond to the strategic formation of a sustainable competitive advantage by concentrating on internal resources and complementing the focus on the industry structure that Porter has championed over the years.

RBV's strategy aims to optimize the role of resources and opportunities as the main basis for SCA. RBV is a theory that focuses on the nature of firms based on its resources, as distinguished from theories such as transactional cost economics that attempt to justify why firms exist [18]. Another way to define RBV is to identify a certain collection of assets or resources that are "semi-continuously" tied to the firm [18,19].

RBV had a significant impact on the strategy, as a generic product/market orientation is no longer appropriate because of the continuous and rapid changes in the environment and consumer tastes. It is easy to capture this if we think it is more appropriate to monitor internal resources and capabilities to deal with the real world than to change the world to adjust to the needs of firms. RBV of the firms enables us to answer such important questions as: What should the diversification of a firm's resources be based on? What resources should be developed by diversification [19]?

What are resources under RBV? The firm's resources encompass human resources, assets, organizational processes, information and knowledge, to name but a few. In general, resources can be categorized as tangible, intangible and human. On the other hand, resources can be static or dynamic (Fig.1.9).

Concerning resources Lockett, Thompson, & Morgenstern note that RBV has three central elements: resource functionality, combination of resources, and creation and decomposition of resources. By combining resources, firms can create added value. In fact, Penrose argues that "the set of capabilities is also affected by how managers combine resources to produce productive services or capabilities"[18]. Resource creation depends on a firm's record; it is clear that each firm has a pile of resources whose value is in a constant flow. According to Lockett, Thompson and Morgenstern, "if the markets for resources are perfect, the cost of acquiring the resources will be approximately equal to the cost of those resources once they are used to implement product market strategies.

Therefore, if a firm acquires resources and continues to use them in the same way as before, SCA will be difficult to achieve in the absence of resource market imperfections” [18].

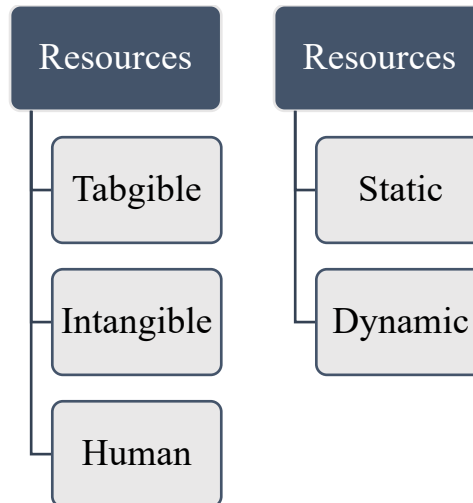


Fig. 1.9. Resource’s classification
(made by author)

Barney identifies the following characteristics or attributes of a resource: (a) it must be valuable, so as to be able to take advantage of opportunities and overcome threats; (b) it must be rare among other resources, so that it is difficult to find the same resource in a competitive environment; (c) it must be imperfect and (d) it must not have equivalent substitutes, meaning that rare and valuable resources can only lead to sustainable competitive advantage. Because of the initials of each specification, they are called VRIN (Fig.1.10) (Valuable, Rare, Imperfectly imitable, Non-substitutable). Resources must possess VRIN attributes, but simply having these attributes is not enough to ensure a competitive advantage, nevertheless, a sustainable competitive advantage. Rarity and value are the two main characteristics of RBV, both of which are equally essential for achieving competitive advantage, but a valuable resource relies not only on its internal nature but also on how it is used or deployed [20].

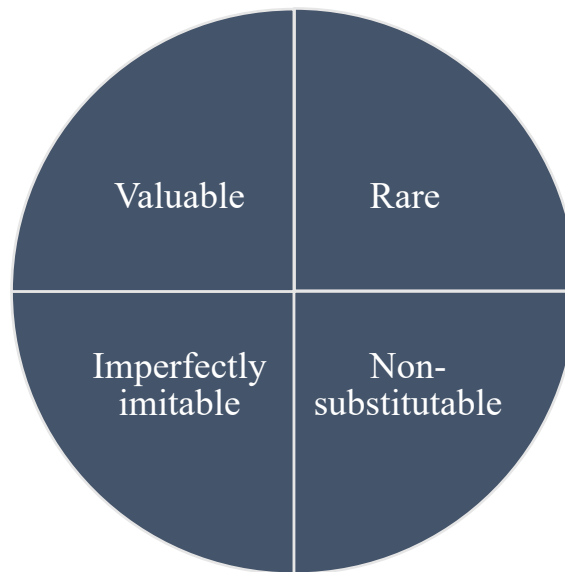


Fig.1.10. Main characteristics of resources (VRIN) [20]

As we will see, the method of using or mixing the resource will in most situations be based on the decisions of managers or supervisors responsible for making decisions. In terms of VRIN resources, for a firm to have a sustainable competitive advantage, resources must not only be rare and valuable, but also unique and irreplaceable. For example, you may have a particular technology that can provide you with an advantage and adopt new products or new features that can boost your firm's income and position, but if that technology is easy to copy or emulate, the competitive advantage will continue for a limited period of time and therefore will not be sustainable. It is important to note that resources must be replaced as soon as they lose any of the VRIN characteristics to maintain SCA [21].

Dynamic capabilities, the issue with RBV is that the perception of companies as a bundle of inputs is very static and restrictive and does not provide an explanation of how well-functioning companies survive through time in an ever-increasing market competition.

As Barney says, dynamic capabilities are based on firms' RBV theory [20]. In fact, DC can be considered as a supplement to the RBV concept. DC is not only a bunch of resources that are essential, but also the mechanism through which firms are able to learn

and acquire new skills and abilities, and the powers that restrict the speed and direction of the process. Thus, in this way the definition of dynamic capabilities as follows: the capability of a business to integrate, create and re-engineer internal and external competencies to operate in a rapidly changing environment [22].

There are several definitions of DC in the strategic management literature. It is noteworthy that dynamic capabilities are assumed processes that occur within a company, but with a clearly defined goal, it is not a question of luck or the occurrence of unforeseen situations.

Note that RBV and dynamic capabilities are more about strategy through productivity than the market positioning method that Porter placed in the 1980s. They also allocate internal capacity and their dependency on the path rather than concentrating on the external environment as Porter suggests. But DCs are complicated in themselves because they relate to changing internal factors, in most cases resources that cannot be quantified.

Let's take a closer look at benefits and contribution of strategic management at organization. The beneficial effect of using strategic management has been documented in many studies. For example, Hunger determined that strategic planning was useful in 89% of the surveyed companies [24]. Those companies that use strategic planning are more effective than the industry average [25], while companies that do not use strategic management are less likely to survive [26]. Strategic planning can provide managers with a long-term perspective, distract management from day-to-day operational problems, enhance decision-making, and have a favourable impact on companies' financial performance.

Important advantages of a company applying strategic management are: concentration of efforts and setting of directions; distinction of the company from the environment; ensuring consistency in the decision-making process; increased attention to the external environment; strengthening of tools for management and leadership of employees; simplification of communication and mutual understanding; creation of a system of logical and systematic problem solving; ensuring rational allocation of intimidating resources between subdivisions of the company.

The main rationale for using strategic management is to more easily master the complexity of the business environment, which is hard to attain if we do not manage it in an established and consistent manner.

However, we need to address the limitations of strategic management process. They are complexity, time-consumption, complicated implementation, proper planning.

Complexity. Strategic management consists of various types of ongoing processes that test all kinds of key critical elements. This involves the internal and external environment, long-term and short-term goals, strategic control of the company's resources and, last but not least, checking the organizational structure. This is a long process, because changing one component can affect all factors. Therefore, it is crucial to understand the problems associated with all the factors involved. Usually, it takes time and, in the end, it affects the company's growth. Being a complex process, it requires a lot of patience and time from management to carry out strategic management. In order to have good strategic management, you need strong leadership and proper structured resources.

Time-consumption. For the strategic management implementation, it is required that the top management spends appropriate high-quality time for the process to proceed correctly. Managers must spend a significant amount of time on research, training and informing employees about this new governance. Such long and time-consuming learning and orientation will interfere with the routine operations of the company. It has a harmful effect on day-to-day operations, and in the long run it can have a negative impact on business. For instance, there are numerous questions that are demanding daily attention, but they do not get proper attention because they are occupied with researching the details of strategic management. If the proper solution of problems is not achieved in time, there may be a significant increase in staff outflow. In addition, employees' productivity will also suffer because they do not receive the required solution to their problems. This situation can lead to a situation where management will divert all its critical resources to motivate employees and their productivity - and your strategic management process will be overshadowed.

Complicated to implement. Implementation of this management system is complicated in comparison with other management methods. The implementation process requires perfect communication between employees and the employer. Strategic management needs to be introduced in such a manner that employees maintain full attention; there must be proactive employee involvement; and employees must be answerable for their work. This accountability is not only for senior management, but also for all employees across the hierarchy. The experts note that it is challenging to implement the system because they need to continuously ensure that employees are aware of the process and benefits of the system. For instance, if the manager was engaged in the formation of the strategic process and was not involved in the implementation process, he will never be responsible for any processes in the company.

Proper planning. When we use the term "management systems", it requires perfect planning. You can't just put things on paper and forget them. It demands proper practical planning. This is not possible with just one person, but it is a team exercise. When such procedures are to be realized, it is essential to overshadow the various types of regular decision-making activities, which in the long term can have a negative influence on business.

It is essential to regularly review all external and internal factors affecting the industry; also, check all the sources of your financial resources to see if they are sufficient to expand the business. If it is possible to keep these things in mind, implementation will be very easy and fast for any organization, regardless of their size.

1.3. Strategic partnership framework and foreign economic activity

Alliances and partnerships have always been part of human history in all aspects of life. Businesses have partnered with counterparts from different countries, companies or in their respective value chains for a wide diversity of causes, regardless of whether they were seeking expansion or required cost savings. However, in the latter years, partnerships have grown stronger due to the advantages of risk allocation and joint resources, technology fusion, industrial decomposition (from straightforward value

chains to the production of industrial value chains), and the spread of knowledge. In particular, the automotive and pharmaceutical industries are good examples of collaborative partnerships that have grown from simple, unforeseen and contractual relationships to more opportunistic ones.

In an ever-changing business environment, companies must take steps to meet their competitiveness. Without any actions, the company has limited opportunity to stay alive on the market.

Fortunately, strategic partnership is one such tactic that an organization can use to accomplish these ever-changing business objectives. Strategic partnerships can also guarantee that the entity will focus on what is critical (as opposed to reactively responding to "fires" or "crises") - its clients or key stakeholders - in an attempt to meet external market forces and orient the organization's efforts.

The importance of strategic management is well positioned through the RAISE philosophy. RAISE philosophy stands for “Resilient + Adaptive + Innovative = Sustainable Enterprise” [27] (Fig.1.11). This philosophy can direct organization towards a unique strategy ensuring strong competitive position. Let us discuss further these components in more details.

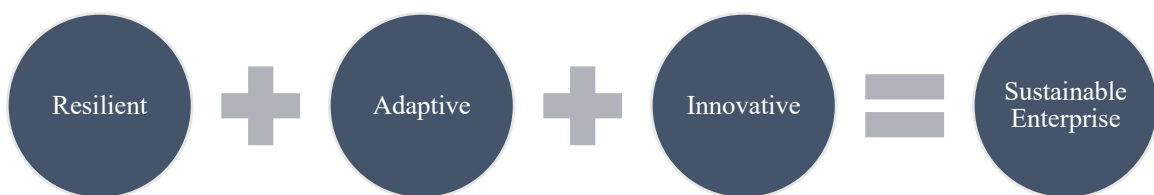


Fig.1.11. RAISE philosophy [27]

Nowadays, companies must display their *resilience* in the presence of constant upheavals and shocks. They have to react rapidly to these continuous and unforeseen external shifts and at the same time maintain regular business activities. Strategic partnerships redirect the organization's attention to what is essential as these challenges emerge and allow organizations to proactively isolate such challenges in order to maintain strategic focus and awareness.

Organizations need to be *adaptive* in their capacity to adjust to these current market moves in a competitive environment. With these changes in mind, they must be sufficiently rapid and flexible to be "proactive" in responding to any changes in the competitive environment or market. Strategic partners use adaptation methods.

The potential for innovation is usually the main factor behind the success and lifespan of an organization. However, this is one field that many individuals are not able to adequately study or implement. Strategic partnerships are one such mechanism that can be used to inform about the importance of innovation in meeting its strategic and operational goals.

Adoption of factors such as key elements of an organization's strategic and operational agendas and decisions provides *sustainable* competitive advantage for the organization (or enterprise). The combination of sustainable, adaptive and innovative drivers of excellence leads to a distinctive and reliable strategy for embracing and delivering the strategic partnerships.

In a strategic management two or more businesses combine their efforts and capabilities in the specific areas such as marketing, supply chain, integration, technology, finance or a combination of them.

Firstly, we need to start with the definition what the strategic partnership is, this concept could be taken as mutually beneficial agreement between two or more organization that do not have a competitive relation between each other in order to develop their offers and decrease costs.

Strategic partnerships are bound to pose challenges that must be effectively addressed in order to assure the durability and success of the alliance, such as insulating one's own knowledge, processing multiple knowledge streams, building responsive management and global virtual teams. If these challenges are not addressed, the partnership is likely to fail, which empirical studies have shown to happen in more than half of the cases.

The most common reasons for failure of strategic partnership are the following:

- underinvestment. This can happen in case of disputes over the distribution of income and expenses, lack of resources, lack of executive funding and commitment, etc;

- over-appropriation through competition, customer ownership challenges, intellectual property rights sharing;
- misalignment (conflicting goals and stimulus, uncertain roles and duties, difficulties in transferring a joint value proposition, expanding internal "scattered" mentality).

Strategic partnerships are categorized into three groups: (1) contractual arrangements, (2) equity investments and (3) joint ventures, as further elaborated below [27].

1.Contractual arrangements include non-equity alliances, such as distribution agreements, outsourcing relationships, franchise or license agreements, and R&D partnerships. They also encompass symbiotic collaborations involving organizations serving seemingly unrelated markets. Many airlines cooperate with credit card companies and offer frequent flyer incentives.

2.Equity investments imply the acquisition by one company of a minority shareholder's share in a partner company. These investments allow an investor company to access and discover promising potential markets. They are also tools to obtain entry into prospective technologies or products that have not yet passed market tests (for example, pharmaceutical companies often hold minority positions in biotechnology companies with new drugs that are highly likely to obtain regulatory approval).

3.Joint ventures engage two or more independent companies constituting a third company. Each venture capitalizes in contributing to the resources and control of the shares (and profit or loss) in the entity. An enterprise may be for a short-term project, such as a major construction project, or for a long-term business relationship, a general strategy for companies wishing to enter foreign markets. Such companies, as a rule, enter into partnership relations with domestic companies, which are already present in the target market.

Organizations have been more innovators in their investment strategies, and strategic partnerships have progressively complemented and replaced the usual mechanisms of investment growth and profitability, such as domestic development and acquisition. Partnerships allow organizations to enter new markets, transfer non-core

activities, accelerate the development of new technologies, bridge gaps in expertise, achieve economies of scale and control risk more effectively.

There are no strict guidelines for evaluating the expediency of particular investment opportunities, but some kinds of investments can be used in strategic partnerships. These include those that carry high risk, those that allow access to mutual opportunities, those that combine symbiotic opportunities, and those that allow outsourced activities (Fig. 1.12).



Fig. 1.12. Strategic partnerships' triggers to use

Examples of *high-risk* initiatives involve entering new markets with significant barriers to entry or developing promising but unproven technologies. For example, multinational automotive companies have established partnerships with Chinese entities to reach a large but unfamiliar Chinese market. Similarly, strategic partnerships in technology businesses have been used to stimulate growth by piloting and validating a wide spectrum of nascent technologies [32].

There are *mutual capacity-building initiatives* between organizations with clear added value. An organization that has strong R&D and product engineering strengths, but insufficient sales and marketing capabilities can collaborate with an organization that has a product portfolio gap but reliable distribution capabilities.

Symbiotic relationships, which are gaining in popularity, attract companies in unlinked markets that collaborate for reciprocal benefits. For example, a supermarket chain can cooperate with a network of petrol stations, letting supermarket clients collect points that can be used to reduce the cost of gas at the pump, while boosting petrol station sales.

Outsourcing services cover a broad scope of operations, from production order (e.g., Apple and Nike) to customer service responsibility (e.g., many large financial

institutions and technology companies), to managing more prosaic functions such as product sales and payroll processing. These measures allow the "outsourcing company" to centre on its core capabilities and allow its partner to take full advantage of scale.

Accepting risk is undoubtedly crucial to business continuity. Excessively low risk companies (or those that do not properly manage risk) will lose market opportunities, endure long-term recession and stay ahead of organizations that are risk-driven and use investment opportunities to increase performance, drive innovation and extend market share.

Alliances have allowed their managers to improve the management of investment risk. They lower the investment costs of specific ventures by taking advantage of a partner's available opportunities or its market position. As a result, they reduce costs and access to expertise, and alliances allow organizations to simultaneously participate in a wider range of investment initiatives.

However, alliances can bear both operational and interlinkage risks if they are not adequately designed and executed. In general, strategic partnerships have a weak reputation: up to 50 percent of alliances do not achieve their goals and fall apart beforehand. Poor planning and execution, inconsistency with partners and inappropriate management frequently result in material financial loss to partner organizations. A well-structured approach to strategic evaluation and partnership building and management can significantly reduce these risks [27].

Further we will describe the strategic partnership process. The most advanced companies in the strategic partnership arena design and implement the latest methods of trial and error. Planning, preparation and highly disciplined execution allowed such companies to turn into full managers of strategic partnership. The six-step strategic partnership procedure illustrated below (Fig. 1.13) (and elaborated on in the subsequent discussion) creates a successful platform.

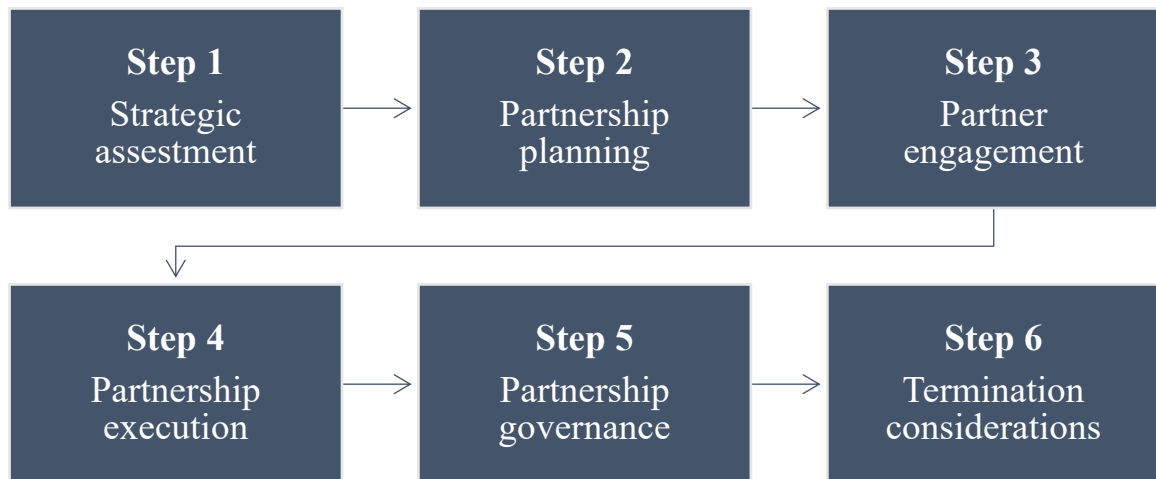


Fig. 1.13. Strategic partnership process [28]

The process of strategic partnership starts with a company studying its strategic goals and containing mining if the partnership is the right investment tool to achieve any of these goals. When a company decides that a partnership is worthwhile, it establishes a plan that sets out the most preferred alliance form, alliance objectives and profile of potential partners. The company then attracts promising partners and eventually concludes an agreement with the right partner. Once the alliance is up and running, companies introduce management, tracking and assessment processes. Lastly, since the life of most alliances is limited, it is important that partners formulate provisions for the orderly unfolding of the relationship.

Step 1. Strategic assessment. This step guarantees that the future alliance will be relevant in the planning process of the organization at a high level. The investment strategy of the organization should be based on targeted planning, not on reacting to an option that arises at the moment. Starting an alliance opportunistically or in response, instead of strategically, dramatically enhances the likelihood of failure because it may not be consistent with the organization's overall goals and objectives. This does not imply that organizations should automatically relinquish unforeseen partnership opportunities; it just indicates that organizations should assess such opportunity in the context of their

strategic plans. To do so, organizations must confirm or change their long-term goals and evaluate market dynamics. As shown in Fig. 1.14, organizations should select investments based on a structured process that takes into account threats, opportunities and the financial and management resources of the company.

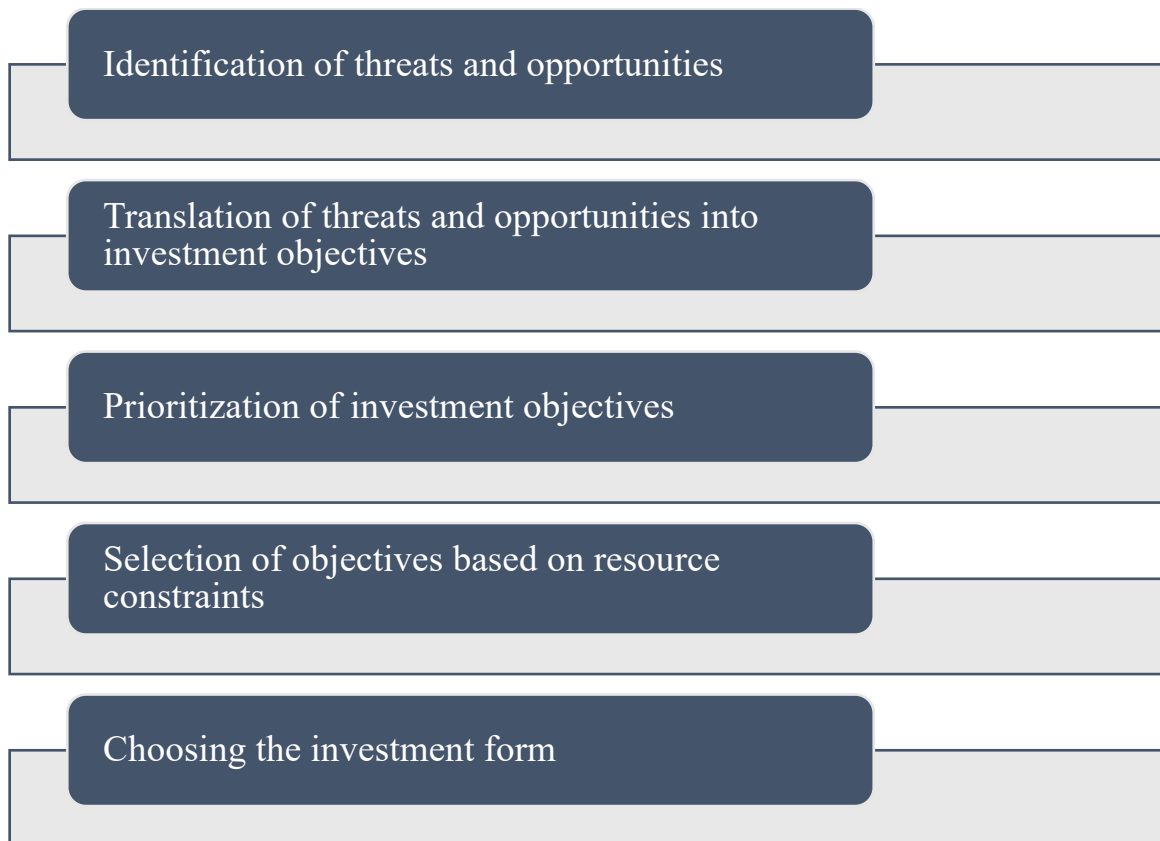


Fig. 1.14. Step 1: Investment type choice framework [29]

Enterprises face and respond to numerous threats and opportunities by defining a number of investment objectives (e.g., market expansion, cost reduction or product innovation) and suggested investment types (e.g., organic development, acquisition or strategic partnership). The outcome of the strategic plan tends to provide high-level financial projections for such initiatives, as well as more thorough financial analysis [30].

Step 2. Partnership planning. Once the previous stage of the evaluation decides to establish a strategic partnership, the organization begins the planning stage shown in Figure 1.15.

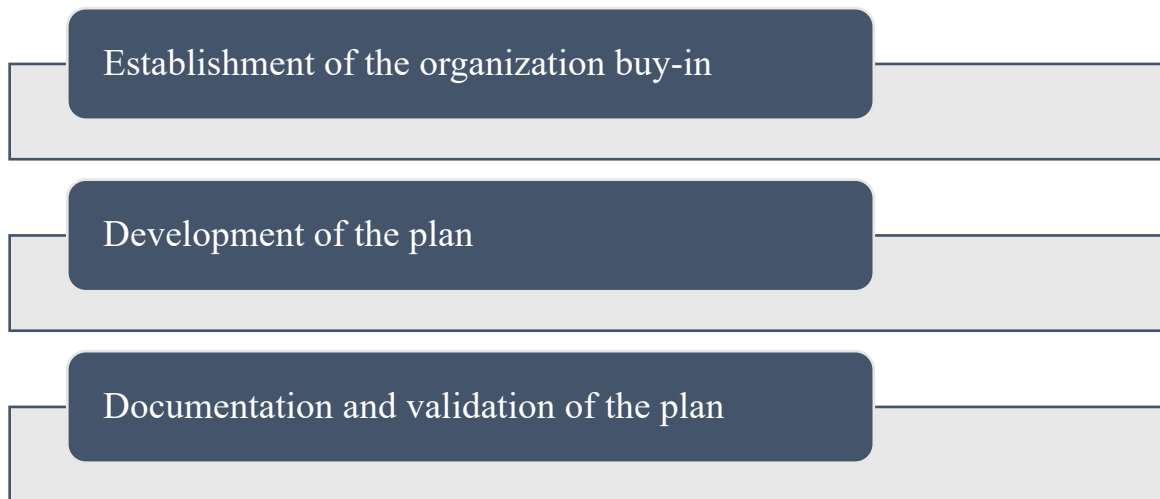


Fig. 1.15. Step 2: Partnership planning [28]

Establishment of the organizational buy-in. In case of investment decisions, there are usually employees of the organization who would rather (and probably would be beneficiary) if the organization accepted a other investment strategy.

Therefore, it is important for executives, especially the CEO, to determine broad organizational support for staff frustration or resistance early in the process. Involvement can be achieved by organizing a management meeting led by the CEO with the following objectives:

- justify the creation of a strategic alliance;
- verify that the initiative has the unequivocal support of the CEO;
- explicit that support is expected throughout the organization.

This group meeting should also identify those who will take the lead in planning and implementation (alliance team). While the nature of each possible partnership determines who will be involved in the alliance team, key team members are usually represented by:

- a senior manager (often an initiative sponsor or champion) who will be responsible for partnership management or communication;
- a senior financial director who will contribute analytics during the entire partnership process;

- senior managers from areas touched by alliance activities (e.g., business development, operations and technologies);
- internal or external legal support.

Development of the plan. The development of a plan starts with determining the optimum shape of the agreement (e.g., a contractual agreement, equity investment or joint venture). Having determined the preferred form of the arrangement, the team determines the most suitable partner(s). Partner screening can be supported by the creation of an evaluation grid that lists the critical characteristics of the ideal candidate based on criteria such as strategic alignment, market power, ability/resource matching, breadth and depth of longitudinal products or services, cultural fit and reputation as an honest partner. The alliance team selects the optimal candidate(s) based on an evaluation grid [29]

Documentation and validation of the plan. After agreeing on the fundamental elements of the partnership, the alliance team should then prepare a draft approval document accompanied by more accurate financial projections than those contained in the strategic plan. The goals of the approval document are two-pronged: to submit a well-thought-out case for the alliance in the framework of the company's strategy and to get the final approval of the decision makers (i.e., the CEO and possibly the Board of Directors). An example of an approval document is given in Table 1.4.

In many instances, organizations proceed to the process planning stage with a predefined partner in mind. This is common when a targeted company has a specific asset such as a patented technology or a patented product or process. Although such situations can lead to a shrinking planning process, they do not eliminate the need to prove partner selection because a single emphasis on the attractiveness of a potential partner can blind the organization to other flaws or incompatibilities.

Table 1.4

Step 2: Approval document example [30]

Purpose	Request permission to launch optional discussions with potential partners
Strategic rationale	Connection to growth strategy
	Desirability of market: <ul style="list-style-type: none"> - size, growth
	Cost reduction potential: <ul style="list-style-type: none"> - infrastructure improvement - process improvement
	Desirability of target partner: <ul style="list-style-type: none"> - strategic fit, market power, resource fit, breadth and depth of products/services, cultural compatibility
	Desirability of alliance: <ul style="list-style-type: none"> - relative metrics of partnership vs building or buying - type of partnership arrangement
Financial impact	Financial model: <ul style="list-style-type: none"> - multi-year projection of revenue, income and cash flow Financial metrics: <ul style="list-style-type: none"> - supporting the investment - supporting ROI (preliminary forecast model) - milestones to evaluate progress
	Value drivers <ul style="list-style-type: none"> - key assumption about the structure, core business growth, revenue synergy, cost synergy
Transaction consideration	Negotiation process, timeline, further steps
	Partner approach strategy
	Partnership management recommendation
	Preliminary risk assessment and key issues of focus for due diligence partnership termination considerations

Step 3. Partner engagement. As soon as the decision makers have agreed on a partnership plan, the organization then contacts the prospective partner. A positive reaction to the proposal requires a meaningful discussion about the compatibility of the strategic goals, culture and management aspects of the two companies. A good dialogue is usually accompanied by the formulation of a synergetic effect of the partnership, a plan to use it and a prior partnership management contract. This step is demonstrated in Fig. 1.16 and is explained in detail in the following bellow.



Fig. 1.16. Step 3: Partner engagement [27]

Approaching prospective partner. The internal planning procedure will serve as a basis for developing a plan that sets out the justification and benefits of the partnership. It is critical that the person who issued the invitation to contact has a prominent position in the facilitator organization and is in a position to clarify possibilities and mutual gains.

After a series of discussions and agreement in principle, partners normally hold a subsequent session to talk about the proposal in more detail.

Establishment of strategical and cultural compatibility. Caution requires that this follow-up meeting be prior to the signing of mutual non-disclosure agreements (NDAs) that prevent any partner from disclosing. The purpose of the meeting should be to agree on broad concepts (such as the form of an alliance) and to determine any obstacles to the partnership. The following questions might be address:

- Who is the target market?
- What is the opportunity and what are its scale?
- What are the potential synergistic effects?
- What are the respective organizational philosophies and are they compatible?
- What form can partnerships take?
- Are there any shortcomings (risks) of cooperation?

Performing the diligence. The form of partnership will determine the manner and degree of due diligence. For instance, although symbiotic relationships usually demand less due diligence, other contractual arrangements, such as distribution agreements or

R&D partnerships, typically need more scrutiny. Minority investments and joint ventures may require comprehensive due diligence involving a large number of stakeholders.

Until then, the initiating organization's vision of a partnership was mainly founded on the representation of the potential partner. Due diligence serves as an extra vote of robust scepticism and balances the potentially unqualified passion of the partnership champions. The majority of the data needed to conduct due diligence is usually accessible in public licensing records. Nevertheless, potential partners should be prepared to give access to appropriate business and financial information before the alliance is concluded. One partner's reluctance to cooperate is a "red flag," and the other partner should consider this in its willingness to act.

Overall, the initiating organization will need to do the next thing in its survey:

- Confirm the financial strength of the potential partner and the strength of its market position and product range.
- Get a better idea of the company's business culture and philosophy.
- Evaluate the strength, integrity and reliability of the organization's leadership.
- Confirm assumptions about the quality of additional resources or opportunities offered by a potential partner.

Development of joint business plan. Before starting to draw up a comprehensive business plan, it is usually advisable to draw up a letter of intent (LOI), a non-mandatory agreement outlining the broad parameters of a potential alliance. The LOI should also contain an exclusivity clause, which will be mandatory for a finite period of time to protect the integrity of both parties' efforts.

A joint business plan should normally include discussion and analysis of the following points:

- goals and strategy;
- served markets;
- products/services delivered by each partner;
- value proposition or necessity filled with initiative;
- provided resources;
- support functions and respective roles;

- definition of success, indicators and milestones for measuring progress;
- financial model prediction of expected results.

The joint business plan ought also to provide a prior opinion on issues such as control, dispute resolution, termination and ownership of assets (e.g., intellectual property) developed or used during the term of the partnership. These matters cannot be solved at this stage and are usually concretized and finalized through negotiations during the partnership phase. Nevertheless, during the original negotiations, each organization is informed of the other organization's position on these key issues [15].

Step 4. Partnership execution. The implementation phase of the partnership consists of discussing the terms of the agreement and launching the partnership, as shown in Figure 1.17.

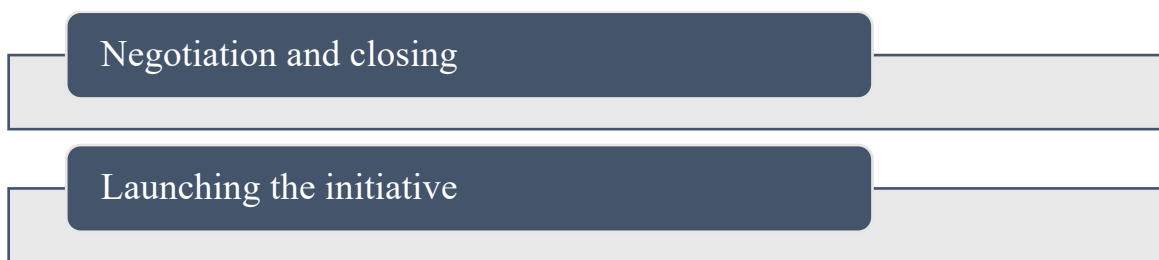


Fig. 1.17. Step 4: Partnership execution

Negotiation and closing. A small negotiation group (ideally from three to five persons) should include the alliance sponsor, the financial director and the company's legal entity representative. Setting tight deadlines guarantees that negotiations will not drag on and compromise the deal. As a guidance, negotiations should not exceed 10 percent of the planned duration of a partnership agreement.

The definitive terms of the contract will differ significantly depending on the nature of the initiative. Contractual unions are usually simple: they do not imply acquisition of ownership rights or establishment of a new organization, which indicates that they are less burden on tax, accounting, mandatory and regulatory considerations. Whatever the type of initiative, treaties usually cover:

- contract scope;
- ownership rights to assets used and developed in the relationship;

- which parties have control and decision-making powers;
- what assets/resources should be provided to the enterprise;
- dispute resolution clause;
- sunset clause.

Launching the initiative. The launch of the initiative has two aspects: announcement and implementation. An announcement should be considered a meaningful event, comparable in size to its intended strategic impact. For example, it should enjoy the same emphasis as an acquisition of comparable scale.

Messages should be addressed to three constituencies:

1. management and staff of the initiating organization;
2. management and employees of the partner organization;
3. external stakeholders.

The scale of this initiative will also influence the implementation aspect. Large initiatives such as joint ventures may need a launch manager and a detailed plan for the first 100 days to provide and maintain momentum. The launch of smaller initiatives, such as distribution agreements, may have a narrower scope, concentrating on training and product placement. Whatever the scale of the proposal, its early stages are decisive to its success. Often, initiatives tend to lose momentum once the buzz about a deal dissipates and the hard work begins. Consequently, a key factor in creating and maintaining the momentum of an initiative is its pre-planning and consistent implementation efforts. While a powerful launch does not guarantee success, a failed launch can contribute significantly to failure [17].

Step 5. Partnership governance. The basic management frameworks for broader strategic partnerships (e.g., joint ventures and minority owners) usually assume the form of a board of directors or corporate management structure. In contrast, non-equity or contractual partnerships do not have a formally organized alliance and must be supported by inter-partner committees to implement, manage and monitor the initiative. As a consequence, contractual arrangements may be especially vulnerable to poor governance, which is the main reason for poor performance and failure of partnerships.

Step 6. Termination Consideration. Strategic partnerships are hardly the "end game"; they are typically about bridges to the future. They are often delicate mechanisms, so it is no coincidence that ending a partnership is extremely common. But ending a partnership is not in itself a negative result. Contractual arrangements can follow their normal path, minority investments can move on to acquisition, and joint ventures can achieve pre-determined goals. What defines an initiative's success or failure is whether it achieves its objectives [22].

Finally, strategic partnership, sometimes referred to as a strategic alliance, is cooperation between independent organizations in achieving common or synergistic goals. These partnerships can come in various forms and usually belong to one of three generic types of partnership: (1) contractual arrangements, (2) equity investments and (3) joint ventures. A well-structured framework allows organizations to plan and execute strategic partnerships effectively and efficiently, greatly increasing the likelihood that their investment objectives will be achieved.

In addition, organizations are prepared and ready for strategic partnership opportunities. This approach is applied in all sectors (i.e., private, public, non-profit and government).

CHAPTER 2. ANALYSIS OF FINANCIAL, ECONOMIC, COMPETITIVE POSITION OF THE STATE ENTERPRISE “BORYSPIL INTERNATIONAL AIRPORT”

2.1. General characteristics, analysis of business activity and competitive positioning of the State Enterprise “Boryspil International Airport”

The object of the study is the activity of the State Enterprise "Boryspil International Airport" (hereafter – Boryspil or Airport).

Boryspil International Airport is a state-owned commercial enterprise of civil aviation, which is managed by the Ministry of Infrastructure of Ukraine, which is the Authorized Management Body.

According to the Charter of State Enterprise “Boryspil International Airport”, approved by the order of the Ministry of Infrastructure of Ukraine from 06.10.2017 №340, the airport is designed to conduct business activities for the purpose of: profit (income) from business activities, ground and maintenance of aircraft of airlines used on domestic, interstate and international airlines, timely satisfaction of economic demand and social needs in providing priority services for air transportation of passengers and cargo, ensuring aviation safety and flight safety.

General information about the State Enterprise “Boryspil International airport”:

Identification code – 20572069

Organizational and legal form – state enterprise

Management subject – Ministry of Infrastructure of Ukraine

Place of residence – 08300, Kyiv region, Boryspil region, v.Hora, Boryspil str.,7

State Enterprise "Boryspil International Airport" is included in the list of enterprises of strategic importance for the economy and security of the state, in accordance with the resolution of the Cabinet of Ministers of Ukraine of March 4, 2015 "On approval of the list of enterprises of strategic importance for the economy and security of the state" [46].

The Airport is a full member of the core international and national associations, such as Airports Council International Europe (Airports Council International; ACI EUROPE); Ukrainian Air Transport Association (UATA), Ukrainian Chamber of Commerce and Industry, Ukrainian Association for Quality, Transport Enterprise Employers Organization, Association of Taxpayers of Ukraine etc, and is guided by the standards and practices of the International Air Transport Association (IATA), International Civil Aviation Organization (ICAO).

State Enterprise “Boryspil International Airport” is the largest and the busiest airport in Ukraine. It provides 62% of the passenger air traffic of Ukraine, and following the results of 2018, it has handled 12.6 million passengers.

To give the general analysis of the environment in which Boryspil operates, let’s describe the factors of direct and indirect influence.

To the factors of direct influence, we include structure, human resources, technologies, tasks and goal.

Management team of Boryspil set the following tasks for its activity:

1. Stimulation of airlines to open new flights.
2. Cooperation with airlines to increase the transfer of passenger traffic.
3. Creation of infrastructure for servicing transfer passengers.
4. Introduction of new services.

Organizational structure of the airport is hierarchical, with linear-functional type, has 4 levels of managements. The main person in the enterprise is chief executive officer. The functional departments are economics and finance, aviation security, engineering, operational activity, administrative, other functional units (labour, legal, external affairs, procurement service). All of the departments comprise corresponding services.

The staff composition of CEO, Deputy CEOs and Functional Directors focused on reforms in the enterprise.

Management continuously works on designing and introduction of the latest technologies to increase the capacity of the airport. As an example, we provide new aviation security control technologies.

All of these components work together in order to achieve the overall goal of the Airport which is an integration to the system of leading European transfer airports.

At the intersection of internal and external circles are competitors, local community, science and education, consumers. Let's address additional attention to them. The Boryspil's competitors appear to be Airport of Eastern Europe: Warsaw, Prague, Budapest, Moscow system of airports (DME, SVO, VKO). The airport remains the main donor to the local budget of Boryspil city. More than 80% of employees are residents of Boryspil and the district. The questions of education is addressed through the on-going education and training of the Boryspil's personnel. The consumers of Boryspil's services are leading Ukrainian, European and worldwide airlines. The main suppliers on a contractual basis are: Kyivoblenergo (electricity supplier), Boryspilvodokanal (water supplier), Kyivoblغاز (gas supplier) and others.

To the factors of indirect influence, we put seasonal fluctuations, visa-free regime introduction, political changes and international events, legislation and overall economic condition in Ukraine and in the world.

Economic conditions in Ukraine and in the world. The production indicators of the enterprise depend on the general state of the economy and the purchasing power of the population. Historical data, as well as all forecasts of independent consultants show that all key indicators of airport operations (passenger traffic, enterprise revenues, budget allocations at all levels, infrastructure development) directly depend on macroeconomic indicators, including GDP growth/decline.

World's events. The Airport is not isolated from the world events. The Russian aggression led to the cancellation of routes to Russian Federation. The Covid-19 pandemic influenced the overall tourism industry and drastically reduced the revenues for the airports and airline companies. Moreover, economic downturn resulted in the significant decrease in people's disposal income and savings. Before introduction of *visa-free regime*, many bureaucratic issues restrained the quantity of people who needs the aviation services. Introduction of this regime led to the increased demand for services, increase passenger traffic, and consequently higher revenue which could be used for development of the Airport.

Legislation base. The current legislation does not help to increase the competitiveness of the airport. As an example, the Law of Ukraine "On Lease of State and Municipal Property" deprives the airport of the right to 70% of the rent. It can be stated that the state does not have a holistic strategy for the development of the aviation industry. Recently, several program documents have been created that should define the essence of state policy in the field of aviation, including the Transport Strategy of Ukraine for the period up to 2020 [51], the State target program development of airports for the period till 2023 [50], the Strategic plan of development of aviation till 2020 [53]. But all these documents are a set of theses and micro-solutions that are not compatible with each other.

Environmental issues. In order to reduce the harmful impact on the environment, the Airport introduces energy-saving technologies and constantly monitors the impact on the environment.

Seasonal fluctuation. Airport passenger traffic depends on seasonal fluctuations ("high" season - holiday periods - December-January, May, summer vacations); "Low" season - October - November, March).

The main consumers of the services of the Airport are domestic and international airline companies. Airlines, operating flights to Boryspil, represent all the world's leading Airlines Alliances, which operate flights connecting their base airports with the capital of Ukraine:

- Star Alliance: Adria Airways, Lufthansa, Austrian Airlines, Turkish Airlines, LOT Polish Airlines, Aegean Airlines, Swiss International Airlines;
- One World: British Airways, Qatar Airways;
- Sky Team: KLM, Air France, CSA Czech Airlines.

The airport also serves airlines that are not members of the above alliances:

- Ukrainian airlines: Ukraine International Airlines, Windrose, Azur Air, Yanair, Anda Air, Bravo Airways, Atlas Jet Україна;
- European airlines: Air Baltic, Ellinair, Belavia;
- Other countries airlines: El-Al, Air Arabia, Azerbaijan Airlines, Air Astana, Air Malta, Iraqi Airways, Georgian Airways.

Due to the active policy of air carrier's attraction, over 60 national and foreign airlines operate flights to the Airport on more than 120 routes worldwide.

The airport has an extensive route network. The most popular regular destinations among passengers are Tel Aviv, Istanbul, Amsterdam, Paris, Frankfurt, Minsk, Munich, Warsaw, Tbilisi, Vienna. Charter flights cover almost all popular destinations, such as Antalya, Sharm el-Sheikh, Hurghada, Dalaman, Bodrum, Heraklion, Enfida, Tivat, Bourgas. Boryspil International Airport is connected by air with all strategic cities of Ukraine: Odessa, Kharkiv, Lviv, Dnipro, Ivano-Frankivsk, Zaporizhia, Chernivtsi, Vinnytsia, Kherson.

Boryspil is the largest and the busiest airport in Ukraine, providing most of air passenger traffic and much of cargo transportation. Boryspil is the only airport in Ukraine, from which scheduled transcontinental flights are operated.

Below we provide information on passenger traffic at the airport in the dynamics of 2015-2018, with a distribution by airlines (Fig. 2.1). Boryspil International Airport's passenger flow has been demonstrating stable growth as a result of the reforms, optimization of internal processes and implementation of the hub development strategy, since 2015.

By the results of 2016, total passenger traffic amounted to 8.65 million passengers, with the transfer passengers share amounting to 2.31 million. In 2017, the Airport passenger traffic amounted to 10.6 million and according to the results of 2018 – 12.6 million passengers. In 2019 passenger traffic amounted to 15.2 million passengers which is 21.1% higher than in 2018 (Fig.2.2). It is noted that the passenger traffic on international flights increased up to 22.2% - to 1416.0 thousand people, on domestic flights - by 8.3%, to 1090.0 thousand. In addition, the number of flights in 2019 increased by 14.2% to 110,660. There were 16.1% more international flights and 1.4% more domestic flights. The transfer passengers share amounts to approximately 30% of the total passenger flow.

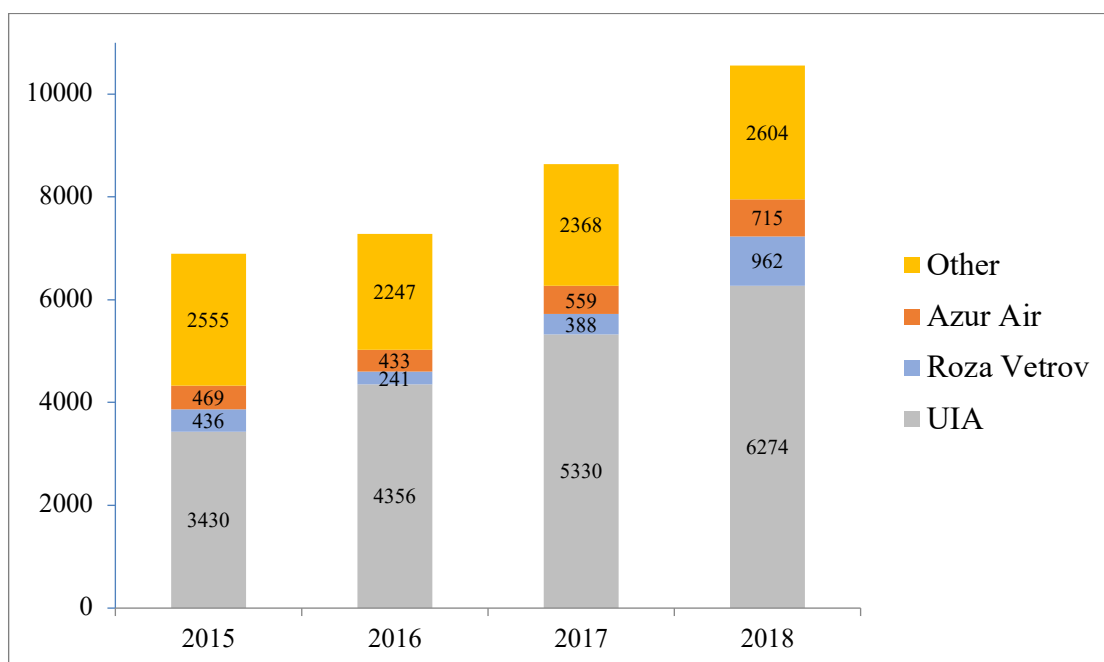


Fig. 2.1. Passenger traffic at the Boryspil by airlines, thsd.
(based on the companies data)

Generally, since 2014 and as of 2019, the passenger traffic had increased by 84%. The growth trend is a bit decelerated, however it sustains on the level of 20s%.

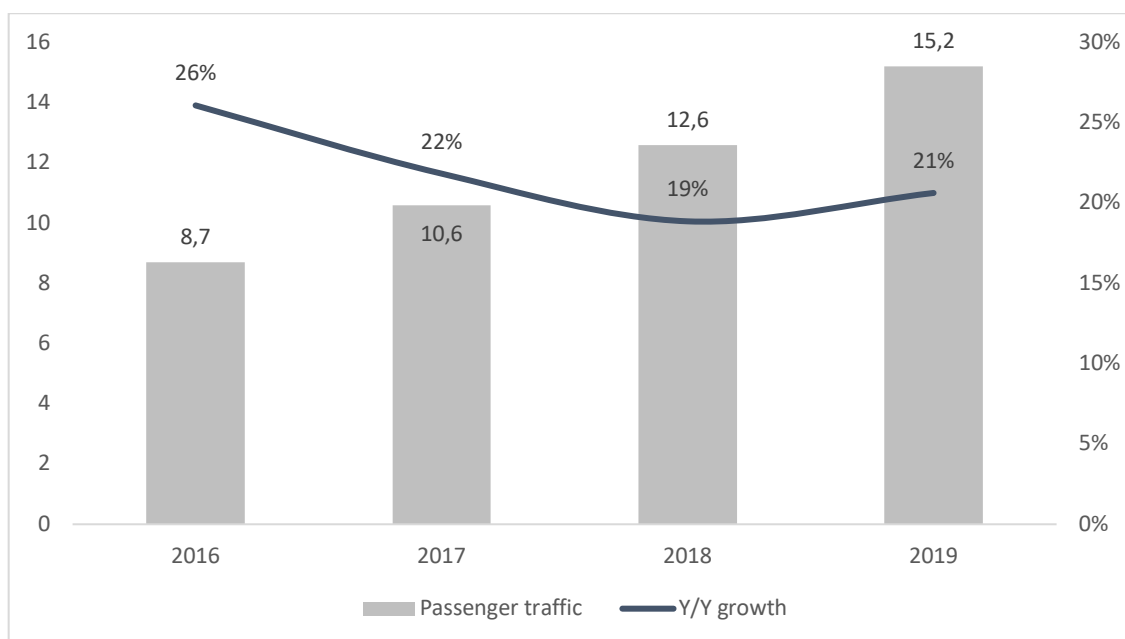


Fig.2.2 Passenger traffic (mln) of Boryspil and year-over-year change (%)
(based on the company data)

Then, we will research the seasonality of the passenger traffic in Boryspil airport. For analysis we will take the 2019 and 2018 years. At the Fig. 2.3 it is described the structure of passenger traffic by month with division for international and domestic flights.

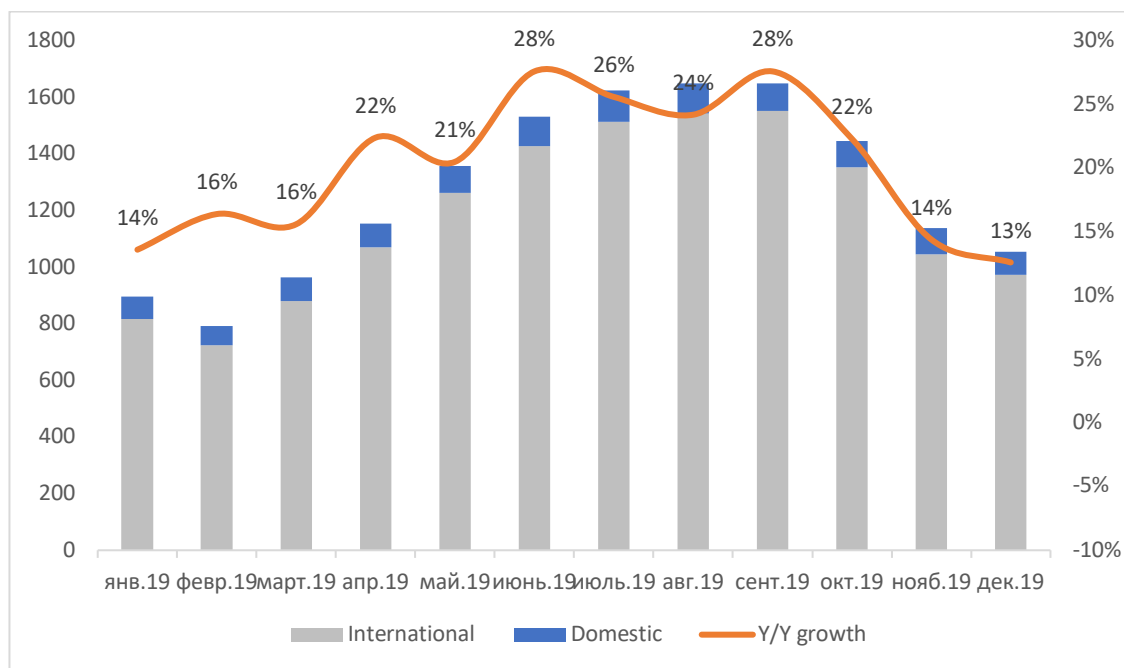


Fig. 2.3. Passenger traffic division by month for Boryspil, 2019, thsd passenger (based on the company data, designed by author)

As it can be seen from the graph, the top month are July, August, September, while started accelerating in March. In autumn the passenger traffic starting to decrease, with minimum value in January-February. It is also worth noting that in summer-month the percentage growth year-over-year is also the highest. It is obviously, because people plan their vacation for that time. It is also could mean that incomes of the Ukrainian population are increasing as they can spend more on entertainment.

The coronavirus pandemic has the most negative effect on the aviation sector. Due to the world's lockdown, the global air connection was lost, airlines did not perform almost any flights, and airports did not receive the commission. Boryspil International Airport served only 3.5 million passengers for 8-month 2020 which is less by 65% of the

same period in 2019 (Fig.2.4). In 2019 for 8 month the Airport served 9.9 million passengers. In 2020 2.3 million were related to the regular flights (decreased by 69% compared with 8-month in 2019) and 1.1 million passengers to non-regular flights (decreased by 50% compared to the same period in 2019).

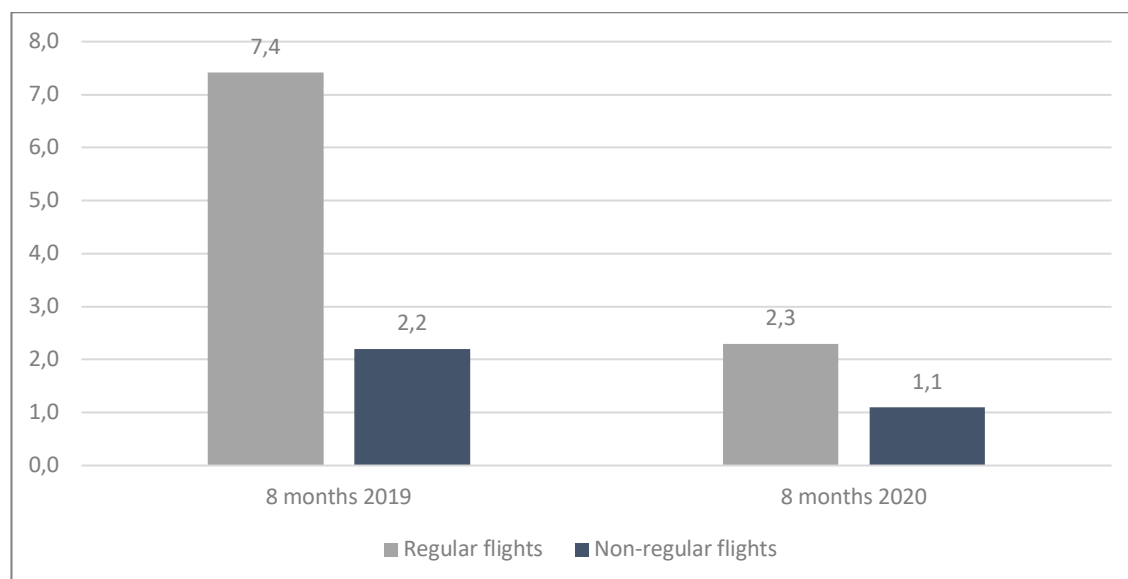


Fig. 2.4. Passenger traffic for 8-month 2019 and 2020, mln
(based on the company data)

What is more, the quantity of transfer passengers has cut by 82.6% to 402.7 thousand people (in 2019 2.3 million passengers were transfer passengers). Overall share of transfer passengers accounted for 11.5% against 23% in 2019 for eight months.

However, in July of 2020 the situation has started to stabilize. The passenger traffic increased seven times compared to June of 2020 to 328.7 thousand people. The reason for such increase is in the accelerating of regular and charter flights from Kyiv in domestic and foreign directions. The flights were open to Bulgaria, Turkey, Montenegro and Croatia. Comparing to July of 2019, the passenger traffic decreased by 79.8% (Fig. 2.5).

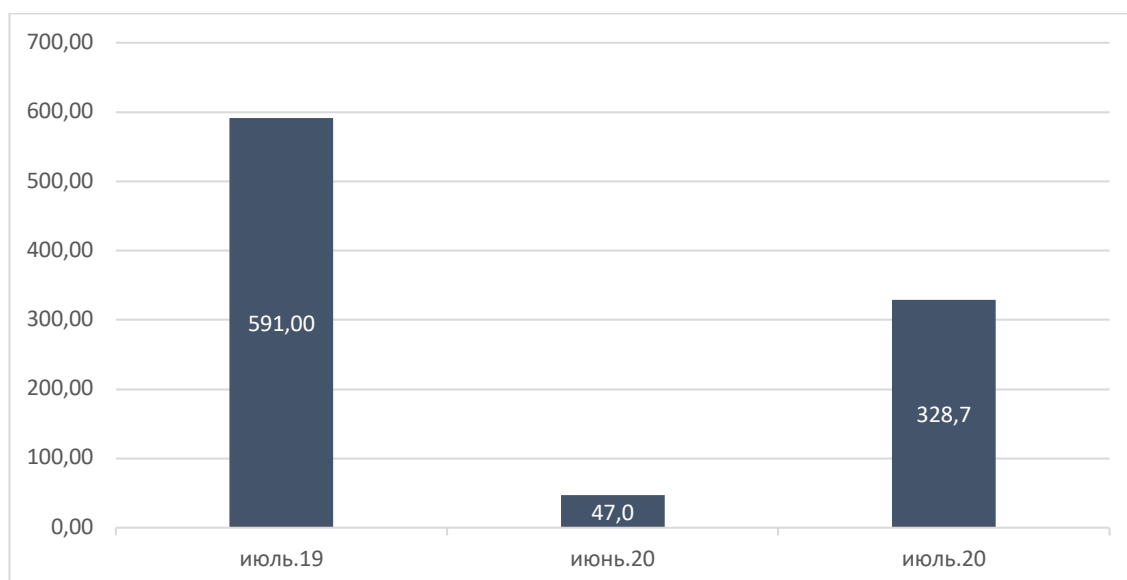


Fig. 2.5. Passenger traffic by month, thsd.
(based on the company data)

Talking more about passenger traffic in July 2020, we investigated that international flights were in demand of 284.9 thousand passengers, while domestic – 43.8 thousand passengers which is 81.2% and 60.4% less than in July 2019 correspondently (Fig. 2.6). In June 2020 passenger traffic for international flights was 39.1 thousand people, domestic – 9.3 thousand people.

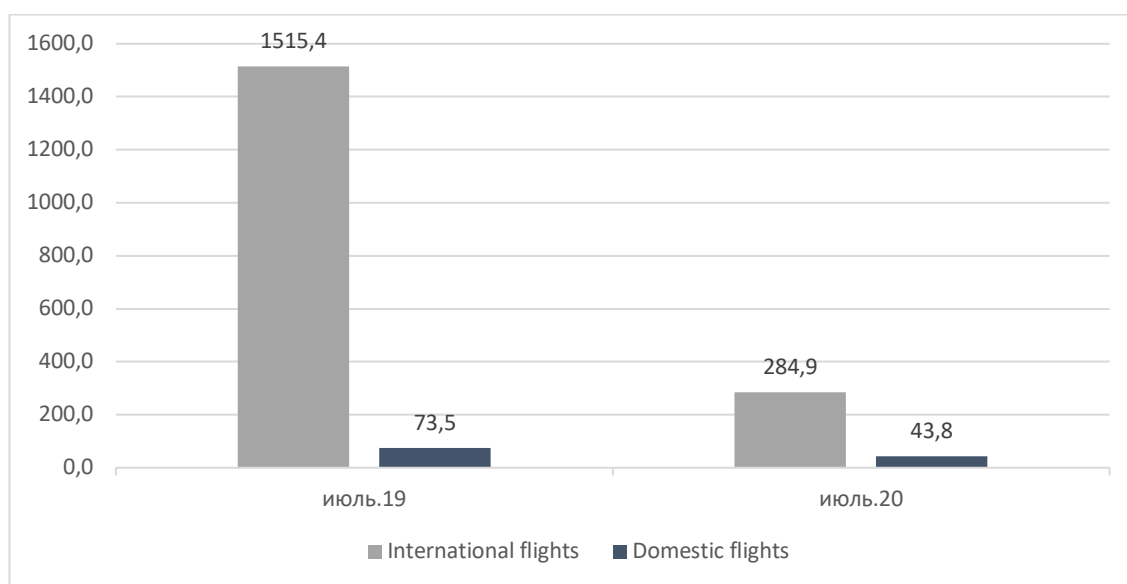


Fig. 2.6. Comparative division of passenger flights in July 2019 and 2020, thsd.
(based on the company data)

The airport is developing as a hub thanks to domestic carriers. Airport hub-concept means that passengers use Boryspil airport as the transportation link in their journey for example from Asia to Europe. More than 75% of passenger traffic is provided by three Ukrainian air carriers. However, in order to diversify, the airport annually attracts 5-6 new carriers. The largest consumer of the airport's services is Ukraine International Airlines, with which the company is working to create an international hub.

Demand for the Airport services is maintained by the beneficial location at the intersection of numerous international transport routes (connecting Asia with Europe and America), proximity to the capital, availability of the modern infrastructure and introduction of the hub development strategy.

The Airport dynamic development was highly praised on the international level. Thus, in May 2018 Boryspil Airport topped the ACI Europe rating among the large European airports with passenger traffic from 10 to 25 million passengers.

In autumn 2018, Boryspil was recognized by the expert Flightstats rating. The Airport hit top 20 most punctual European airports.

In 2019, Boryspil International Airport was ranked third in the Best Eastern European Airports 2019 rating, conducted by the British Skytrax consulting company, as a few years in a row.

Cargo Handling. The cargo terminal of Boryspil is one of the largest and mostly equipped air cargo terminals in Ukraine. Production facilities are located in the territory of Boryspil International Airport, which allows us to offer a wide geography of transportation. Annual turnover is more than 25 thousand tons of cargo and 4.5 thousand tons of mail.

The infrastructure of the cargo terminal allows cargo and mail handling in accordance with international standards. The equipment and mechanization allow handling all major types of cargo transported by air. 100% of personnel involved in cargo handling are certified for cargo handling in accordance with the requirements of AirsideSafety, AviationSecurity, Weight & balance-and-load-control, DGR, LAR and are authorized to work on various types of apron machinery.

Cargo and mail processing is carried out around the clock. In the territory of cargo terminal there are customs post "Boryspil-airport", sanitary-quarantine post of sanitary-epidemic station, post of ecological control of ecosafety, plant quarantine post, veterinary post of state veterinary control, offices of representative offices (general agents) of airlines and transport-forwarding companies.

The package of services includes:

- Provision of ground handling services for cargo (including special cargo) and mail on cargo aircraft flights;
- Transportation from AC to warehouse/from warehouse to PS, unpacking/unpacking of cargo on cargo-passenger AC flights;
- Warehouse handling, storage, loading/unloading of customer transport for all types of cargo;
- ULD storage of airlines;
- Processing accompanying documents for cargo and information support;
- Processing of supporting documents for the transportation of dangerous goods in accordance with DGR requirements (additional service on request);
- Expedited cargo processing (additional service on request);
- Cargo administration (additional service on request).

Fig. 2.7 shows the infrastructure capacities of the cargo terminal.

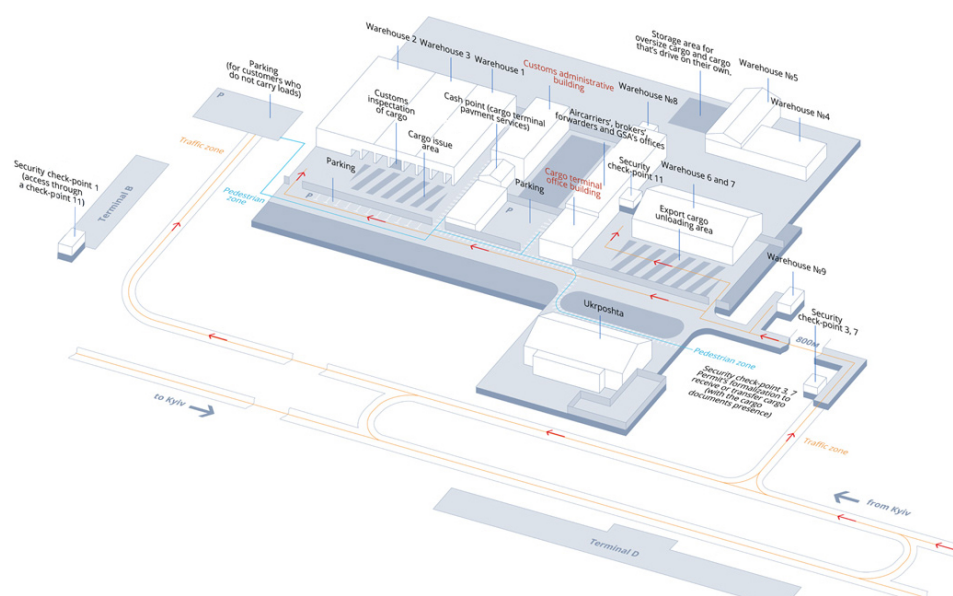


Fig. 2.7. Cargo terminal facilities at Boryspil

The cargo terminal provides the following services for the clients:

- terminal service and storage of general cargo and special cargo (hazardous cargo of categories 1-9, live animals (on the day of departure / arrival), human remains, perishable goods, heavy cargo, weapons, medicines, valuable goods);
- unloading/loading of cargo aircraft.

Among the additional services which could be done are the following:

- separate transportation of cargo from the aircraft;
- priority placement of cargo in warehouses;
- accelerated submission of accompanying documents for customs clearance;
- telephone information of the client about readiness of documents and cargo;
- priority registration and issue of the documents at the information desk;
- extraordinary payment for cargo terminal services at the cash desk;
- priority release of cargo from the warehouse after the relevant customs clearance.

The airport provides the information about the rates for the cargo handling, cargo storage, and other services available (Fig.2.8, Fig, 2.9).

No.	Service Item	Price, UAH w/o VAT
I. Terminal Services		
1.1	Cargo (not including Express Carriers Shipments):	
	- per consignment shipment	63,80
	- per 1 kg of consignment	0,55
1.2	Express Carriers Shipments:	
	- per AWB or CMR	63,80
	- per 1 kg of consignment	0,45
1.3	Mobile Shipments:	
	- per AWB	63,80
	- per 1 kg of consignment	0,20
1.4	International Express Shipments (according to the approved Procedure of Interaction of Handling Express Carriers Shipments at Boryspil IA SE Cargo Terminal):	
	- per AWB and CMR	63,80
	- per 1 kg of consignment	0,90
1.5	Post:	
	- for each invoice form F-16	63,80
	- per 1 kg of post	0,90

Fig. 2.8. Cargo handling tariff rates at Boryspil airport

II. Cargo storage		
2.1	Storage of conventional cargo, per 1 day:	
2.1.1	Per 1 kg of consignment over 50 kg for paid storage period:	
	- up to 10 days	0,50
	- from 11 to 30 days	0,65
	- over 30 days	0,80
2.1.2	Per consignment shipment up to 50 kg (including) for paid storage period:	
	- up to 10 days	24,20
	- from 11 to 30 days	31,90
	- over 30 days	35,20

Fig. 2.9. Tariff for cargo storage at Boryspil airport

Let us look at the cargo and mail handling in more details. At the Fig. 2.10 we described the cargo transportation developing in Boryspil Airport.

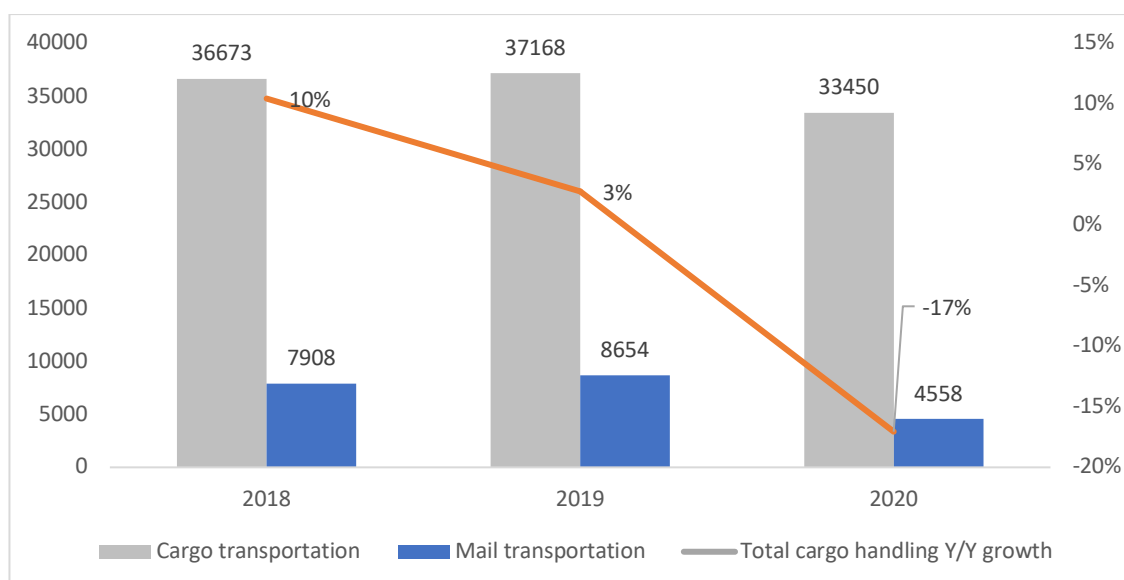


Fig. 2.10. Air Cargo handling at Boryspil, tons
(based on the company data)

Today the volume of cargo handling at Boryspil is insignificant - about 80 tons per day. Part of profit from cargo handling does not exceed 2% of earnings from other activities of state enterprise Boryspil. From the Fig. 2.10 it is observed that growth trend is slowing down from 10% in 2018 to 3% in 2019. However, decrease of 17% in 2020 is much lower than decrease in passenger traffic. The reason is that while most of passenger

flights were canceled, that cargo handling continued to work. Another reason is that air cargo handling in Ukraine is at low level.

To confirm that, let us look at cargo transportation structure by modes in Ukraine (Fig. 2.11).

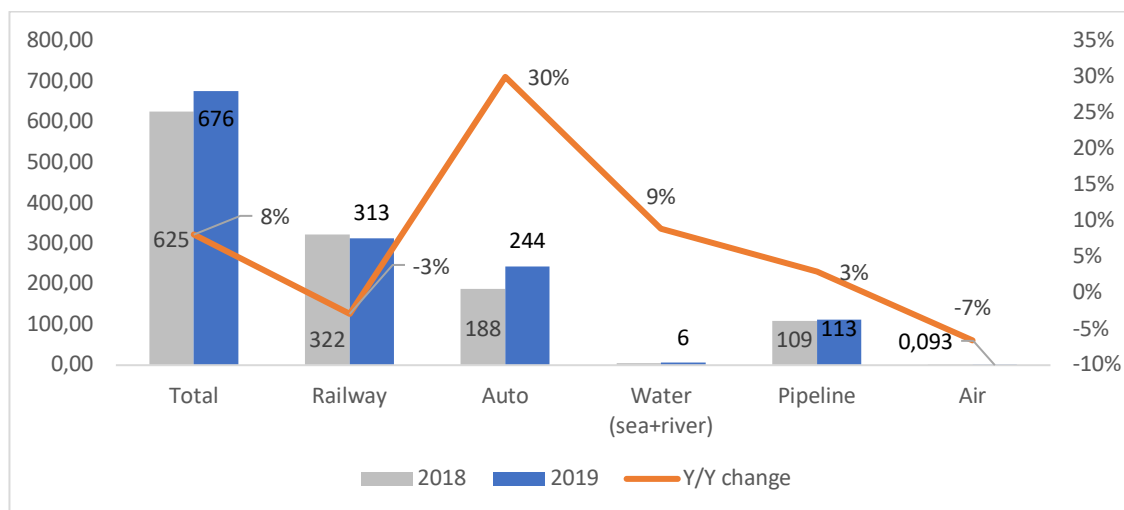


Fig. 2.11. Cargo transportation in Ukraine, million tons [56]

This Fig. 2.10 does not include the data for domestic auto transportation for demand domestic producers. Altogether auto transportation accounts for 1.1 billion tons in 2019. Having analyzed this data we may summarize that transportation of cargo in Ukraine is done mostly by railway and auto. Auto transportation increased by 30% in 2019 compared to 2018. Growth also was attributed to water (+9%) and pipeline (+3%) transportation. Railway and air transportation decreased by 3% and 7% correspondently in 2019 compared to 2018. Total cargo transportation in Ukraine has increased by 5% in the period. Table 2.1 provides the information about the share of each transportation mode in Ukraine.

Table 2.1

Structure of transportation by mode, %

Mode	As % of total in 2018	As % of total in 2019
Railway	51.5%	46.3%
Auto	30.0%	36.1%
Water	0.9%	0.9%
Pipeline	17.5%	16.7%
Air	0.016%	0.014%

In 2019 almost half of all transportation in Ukraine is done by railway. However, the share of this transportation mode is decreased by almost 5% in 2019. It is done because the share of transportation by car increased by more than 6% in the comparable period. Air and water transportation accounts for less than 1% in total transportation structure of Ukraine.

If we compare transportation of cargo with Poland, we will find a little bit different result. Railway transportation took 10.5% in 2019 with decreasing trend, while roads transportation by auto accounted for 86.5% taking more and more share with time. Air, sea, land and pipeline transportation served only 3% of demand [57].

This structure is quite obvious, since the ground transportation is the most flexible and used for short distances. Railway and auto transportation is typically more affordable than air, but more expensive than water transport, especially in developing countries.

Demand for air transportation is limited by cost, which is usually 4-5 times higher than road transportation and 12-16 times higher than sea transportation. Thus, goods delivered by air have high unit costs or are very time-sensitive, such as documents, pharmaceuticals, fashion apparel, manufacturing samples, electronics, consumer goods, perishable agricultural and seafood products. They also include some inputs to ensure timely production and emergency supplies of spare parts.

In times of general lockdown cargo services would become one of the most prominent areas for revenue generation, since passenger transportation is limited.

There are number of companies use cargo handling services at Boryspil. For example, logistic service provider DHL uses Boryspil for its cargo delivery purposes. However, they are also planning to use Boryspil airport as a hub for a Caucasus and Central Asia regions as an alternative to its hubs in Moscow and Istanbul.

As of the end of 2014, the cargo terminal's infrastructure required transformation, primarily optimization. An expert analysis of the current state of use of the available space revealed significant opportunities to increase its efficiency. It also identified areas for transformation, which were implemented during 2015-2016. In particular, about 1,000 m² of cargo terminal space was freed and significantly increased the efficiency of the

remaining area. For further use of the optimized (free) part of the terminal it is planned to attract a prospective tenant.

The idea of constructing a new cargo terminal at Boryspil airport has been under discussion for a long time, and once the airport turned to DHL for support in its construction. In December 2016, Pavel Ryabikin, general director of the airport, said that a DHL or TNT cargo terminal could be built at the airport. According to him, space and opportunities for such a facility exist, but first it is necessary to agree with the cargo provider [55].

The European Business Association said in July 2020 that construction of a new cargo terminal at Boryspil airport could begin this fall. However, the commercial director of Boryspil airport Georgiy Zubko said that all infrastructure projects at the airport are currently suspended due to the lack of a financial plan for 2020 and the anti-corruption quarantine [55]. So, according to the plan of Boryspil, new cargo terminal (Fig. 2.12) will be constructed in the period of 2021-2023. The total cost of such terminal will be amounted to \$16 mln. The total area is 15,000 m². Expected capacity accounts for 120,000 ton/year.



Fig. 2.12 Construction plan for new cargo terminal at Boryspil [58]

The total cost of such terminal will be amounted to \$16 mln. The total area is 15,000 m². Expected capacity accounts for 120,000 ton/year. The terminal will have the railroad, warehouse, parking lot for cargo trucks.

Airport's infrastructure. The Airport infrastructure includes two runways (4 km and 3.5 km long), allowing accommodation of all aircraft types, without limitations under weather and visibility conditions, as well as 2 full time operating terminals (D and F). Independent configuration of runways allows to organize the work of the airport around the clock and continuously. When performing technical work on one runway the other provides traffic. The aerodrome has 152 places for aircraft parking, which makes it possible to ensure the appropriate level of capacity and efficiency of ground handling.

Boryspil is constantly striving for improvement. The Airport develops infrastructure, attracts new airlines and enhances the quality of service. In 2019, the Cabinet of Ministers of Ukraine approved the Concept of Boryspil International Airport Development for the period till 2045, the main priorities of which is infrastructure development and introduction of contemporary services.

Boryspil is the only airport of Ukraine, successfully competing with the large European hub airports. According to the Airports Council International (ACI EUROPE), in 2018 Boryspil was ranked first among the large European airports (top spot in the European Airports group, handling from 10 to 25 million passengers).

According to the hub concept of the airport development, in 2015 all regular international and domestic flights were transferred to Terminal D. Passenger service in terminals B and F has been suspended for some time, which has minimized the airport's costs for the maintenance of terminal complexes. The concept of further use of terminals B and F is currently being developed, in particular, the possibility of organizing the service of low-cost airlines under a special (simplified) procedure in terminal F is being considered.

Terminal complex "D" with an area of 107 thousand square meters is the largest in Ukraine. The complex includes a passenger terminal, an aircraft platform, access roads and an overpass, parking lots, utilities and facilities.

At present, passenger terminal D is the most promising for business development. The rent received from the tenants of passenger terminal D is 68.74% of the total rent.

The capacity of Terminal D is 3,000 passengers per rush hour on departure and 3,000 passengers per rush hour on arrival (Table. 2.2). Due to the fact that Terminal D is operating at the limit of its design capabilities during the existing peak loads, the airport is reconstructing it to increase the capacity of the terminal.

Table 2.2

Operating capacity of terminals (based on the company data)

Terminal	Square, m ²	Bandwidth, pas/h.	Characteristics
B	36,035	2,500	The concept of use is being developed
D	107,000	3,000	All international and domestic flights
F	20,685	900	The concept of use is being developed
Total	163,270	6,400	

The terminal building has 11 stationary air bridges (for boarding/unboarding from aircraft), which can accommodate 6 large (class "Boeing 767") and 5 small (class "Boeing 737") aircrafts. In addition, there are 5 exits for boarding the bus, in addition, the stationary air bridges provide the possibility of boarding passengers.

Service and parking of aircraft is carried out on the platform, which will provide the ability to service and park up to 25 aircrafts of code "C" (type Boeing-737) or 6 aircrafts of code "E" and 14 aircrafts of code "C". At the extreme parking places of the aircraft code there is a possibility of parking of the aircraft of the code "F" (Airbus-380) is provided.

The infrastructure of non-aviation services includes two hotels (at the airport and Boryspil), 7 parking lots, duty-free shops, food outlets. The hotels are owned and operated by the airport.

Most of the commercial space in the terminal (shops, food outlets, luggage packing, etc.) is operated by tenants - subjects of commercial service. Contracts with contractors

are concluded on the basis of the Law of Ukraine "On Lease of State and Municipal Property" which significantly reduces the effectiveness of such activities for the airport [47].

Labor force. The total number of employees at the airport is 4082 people. From them women account for 1366 (33%), workers younger than 30 years - 559 (14%), with higher education - 2732 (67%), with secondary special education - 692 (17%), with secondary general education - 655 (16%).

When dividing by categories: managers attributed to 320 people (8%), specialists - 1224 (30%), skilled workers - 1821 (45%), support staff - 717 (17%).

The airport adheres to all the principles of personnel planning: a strategic vision of the prospects of enterprise and personnel development, the priority of enterprise development tasks in solving personnel issues, complexity, objectivity, reality, flexibility and resource provision of plans.

Development programs include advanced training, retraining, and career planning.

Thus, training is carried out both within the enterprise (training courses, seminars, retraining programs) and outside the enterprise.

Retraining and advanced training are mandatory for certain categories of employees (lawyers, procurement service, technicians).

Employees on a regular basis improve their skills and gain experience outside the country, at foreign airports (Vienna, Amsterdam, Istanbul, etc.), participate in the activities of Inter Airport, Airport Expo.

The state and indicators of personnel movement in Boryspil International Airport for 2017 are analyzed.

At list structure of 4082 persons, its required turnover is 24 persons, excessive turnover - 81 persons. The turnover rate is 0.019. The reception coefficient is 0.065, the dismissal coefficient is 0.067. Total turnover indicator – 0.13. Fixing factor – 0.97. The analysis indicates a stable personnel situation at the enterprise, employees' satisfaction with working conditions is rather an exception for state enterprises in the country.

Marketing activity of the enterprise is oriented at the geographical expansion of the routs and creation of the connecting routs for the transfer passengers. To realize the goal,

there are a plenty of measures on attracting new carriers to execution flights, development the partnership with core carriers on expanding their routs network and increasing the intensity of flights.

Marketing actions are based on the three basic elements: active interaction with actual and potential clients, active promotion of the airport on the market through ensuring the growth of the brand awareness and loyalty of customers and making the marketing researches, industry trends monitoring. Realization of the abovementioned actions includes the following:

- Participation in the important industry events including forums on development of the network of the air routes to get the information to the market about news and airport achievements, new services, permanents support with potential carriers.
- Support of the customer loyalty through PR actions, special events.
- Development of the programs of promotion for air companies while executing new flights.
- Gathering and analysis of the aviation marketing strategy, its effective usage during development and executing further marketing actions.

Passenger aviation. Covid-19 has a profound impact on the passenger aviation in 2020 and further. According to the IATA research, the sharp decline in passenger traffic is available in 2020 and recovery will be started in the second half of 2021 and will continue in 2022 [59]. However, considerable uncertainty around the near-term impact of the pandemic on air traffic demand remains. IATA provides the expectation on growth in passenger journeys by region: global air passenger growth could plausibly be in the range of 3.2% and 5.0% over the next 20 years. North America will grow at 2.2%, Latin America - at 3.4%, Africa – at 4.4%, Europe – at 2.2%, Middle East – at 4.4%, Asia Pacific – at 5.0% [59]. Annual average growth rate in global air passenger journeys over the next 20 years will approximately be 3.7%. The number of global air passenger journeys will double in 2039 compared with 2019.

Let us analyse the short-term (2020-2025) and long-term scenarios (2020-2039). The short-term scenario is based on the slower than expected recovery in economic activity resulted by pandemic. Asia-Pacific and Africa and the Middle East are expected

to recover faster than the more mature air travel markets of North America and Europe (Fig. 2.13) [59].

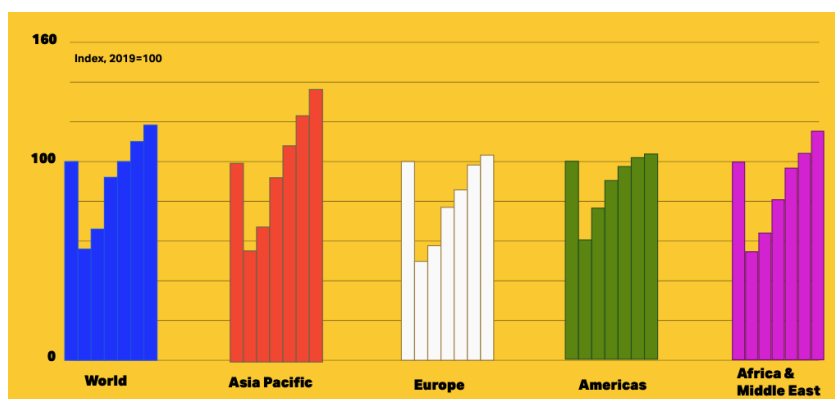


Fig. 2.13. Short-term scenario, 2020-2025

As could be seen from the graph Europe, Americas and will return to its level of 2019 and slightly outperform it till 2025. World's air passenger transportation will be driven by Asia Pacific and Africa & Middle East regions.

IATA's recommendation for long-term scenario constitutes of two points. The "Return to globalization" scenario builds a series of consistent alternative assumptions about government policy on trade and air transport. This scenario will be annually adding 2.8 billion passengers. The "Climate sentiment intensifies" scenario is based on the expansion and deepening of recent events in Northern Europe, where consumers have cut back on-air travel and governments have imposed carbon taxes on air travel. In case if this option is realized, the total passenger count will be less by 0.7 billion passenger per year by 2039 than in the current trend scenario [59].

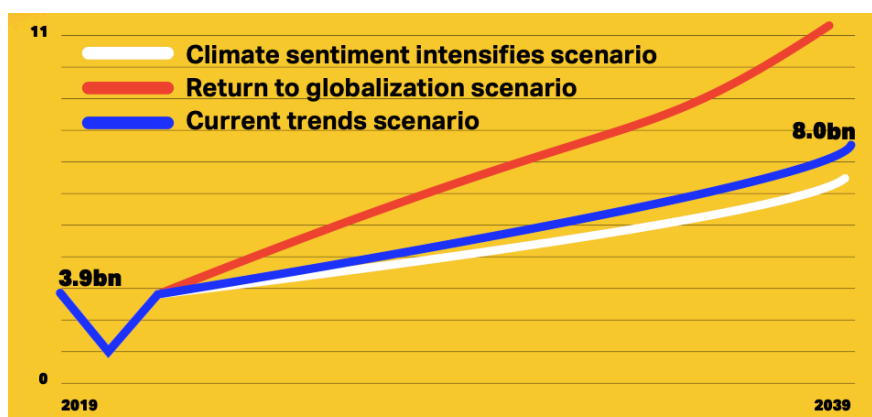


Fig. 2.14 Scenario results (long-term) [59]

If one of the possible scenarios will realized, it will result in the change of total passenger traffic in the world. The Fig. 2.14 describes the number of passengers under scenarios.

Cargo aviation. The air cargo market is segmented into service, components and end consumer. Depending on the type of service, the market is classified into express and regular. By component, the market is divided into air cargo market and airmail market. By end-user, the market is classified as consumer electronics, food and beverage, pharmaceuticals and healthcare, retail, third-party logistics, chemicals, and manufacturing.

The global air cargo market is highly competitive and is characterized by the presence of a large number of international and regional players. The market is characterized by increased competition among suppliers based on pricing model, differentiation of technology, brand, quality of service, product differentiation and technical expertise.

By 2024, the volume of the global logistics market is forecasted to be \$236 billion. And logistics includes all activities in the supply chain: transportation, customer service, inventory management, information flow and order processing, warehousing, materials handling, packaging, and maintenance. By 2024, the global logistics services market is projected to grow annually at a CAGR of 7.5% in monetary terms and 6% in quantitative. The Air Cargo market is projected to grow at a CAGR of 4.5% by 2025 [60].

Trends affecting the size of the air cargo market:

- Growing e-commerce puts pressure on distribution channels for faster delivery and an efficient supply chain. This scenario presents opportunities to integrate third-party distribution and warehousing capacity with air cargo e-commerce. As online purchasing continues to grow, many third-party logistics companies (3PLs) are offering more multimodal services that include air freight as the most important mode of transportation. In addition, the growth of general cross-border e-commerce is expected to boost demand in the air cargo market.

- In general, goods transported by air, such as perishables and high-value materials including computers, consumer electronics, and pharmaceuticals, are among the

fastest growing trade flows in the world. This increase in demand for these products has led to the growth of the air cargo market.

- Specialized air cargo terminals are being developed in developed countries in conjunction with the increasing volume of air cargo, allowing for faster air cargo screening and effective management of security threats. On the other hand, with modern air cargo screening systems, new air cargo terminals are increasingly being used, which contributes to the expansion of the air cargo market.

According to IATA, air cargo accounts for less than 1% of global trade (airlines carry more than 52 million metric tons of cargo annually) and more than 35% of the value of global trade (the value of air cargo is more than \$6.8 trillion annually).

However, the trade conflict between the United States and China and recurring political and financial instability in some emerging markets are among the factors that could hinder growth in air cargo demand, thereby affecting demand for cargo aircraft over the forecast period.

With the global outbreak of COVID-19, many airlines are temporarily converting their passenger planes to cargo planes to carry medical equipment and cover losses, as air passenger traffic is limited in many major air hubs.

Competitive positioning. Located at the crossroads of air routes that unite Asia with Europe and America, Boryspil Airport has all the prerequisites not to be satisfied with the status of the air gates of Ukraine and its capital, but also to fight for the position of an international hub, which will provide transfer services to passengers in the region from Moscow air hub in the north to Istanbul in the south.

One of the main factors taken into account when analyzing the competitive environment of any airport is its coverage area. According to the analysis results, there are no competing airports (except for Kyiv Zhulyany airport) that are within 3-4 hours by car.

The airport coverage area shows the main potential for overcrowding (by except for the transfer), which can be used by any airport taking into account location, and location of the main peers. The use of this potential is determined by different aspects.

The main are network of airport roots, the possibility for connecting flights, transport airport accessibility, airport reputation (Table 2.3).

Usually, a direct coverage area and zone of wider coverage is determined separately for the airport. It was taken into consideration the distance from the Boryspil airport to the domestic airports-competitors as well as to the foreign airports and cities. The area of direct coverage of the Boryspil airport includes 8.2 mln people which is the base for the market potential.

At the same time, the airport and its basic companies will obviously compete with airports that have a higher volume of traffic and stronger than the basic network airlines.

The development of the airport due to the area of direct coverage is sufficient promising as Kyiv city is the main business and touristic city of Ukraine. However, development only through the direct area coverage is quite limited due to the number of populations, that is why the most promising potential of the airport is in the development and attracting passenger flow from the extended coverage.

The potential of Boryspil airport allows to gain a share of passenger flow, the total amount of which is above 200m passengers.

Table 2.3

Market size by passengers (based on the company data)

Main flows	Market size, mln passengers
Far East – Europe	62,4
Europe – North America	61,3
Far East – Middle East	44,5
Europe – Africa	42,3
Far East – North America	38,9
Europe – Middle East	32,0
Far East – Oceania	18,8
Middle East – Africa	17,8
Europe – South America	11,7
Europe – Central America	11,4
Middle East – North America	5,8
Far East – Africa	5,6
Oceania – North/South America	4,7

Analysis of competitive environment. There are some types of competitiveness between airports:

1. Between hubs for long- and middle-distance routes and transfer flow;
2. Between airports where coverage areas intersect or located in the same city.

We will look firstly at the *competition between hubs for long- and middle-distance routes and transfer flows*.

Hub airports can compete for several market segments for connections transfer from international-to-international flight, transfer from international-to-regional flight, transfer from regional-to-international flight, transfer from regional-to-regional flight.

When competing for direct flights (point-to-point flights), there are many factors that may force an airline to open new destinations (a new pair of cities) or change the airport in the same city. The role of the airport is very important for this type of competition, ensuring the attractiveness of the airport infrastructure and business environment.

It should be noted that price and quality are not the only factors that are important to the airline and can affect its final decision, among others:

- the rights to perform flights;
- availability of slots;
- competition with other airlines on this route;
- availability of an increasing number of transfer passengers;
- operating expenses (other from the airport operator), etc.

In terms of competition between hubs for long-haul routes and transfer flows, the following airports are competitors of Boryspil Airport:

- airports of Eastern Europe, first of all, Warsaw (WAW)
- Moscow airport system (DME, SVO, VKO).

The Moscow system's airports, although they have higher rates of passenger traffic and a wider route network, but the function of passenger transfer "international - domestic" only partially works.

A moderate level of competition is identified from the European airports of Munich, Vienna (these airports are the base for Star Alliance – with the leader -

Lufthansa), as well as Istanbul airport. All these airports are still far ahead of Boryspil Airport in terms of traffic volumes and are defined as benchmarks for the successful implementation of the hubs concept.

Growth drivers for the airport-competitors are powerful base airlines which generate the main passenger traffic and create 'hub'.

Secondly, we will look at the competition between airports in large urban agglomerations, owned by different entities and competing in the same market.

Most often this type of competition is manifested in the struggle of airports on charter flights and flights of low-cost carriers (some scheduled flights, such as those that go to regions of recreation areas, also fall into this category).

In this segment, low load airports can offer fares with marginal (critical) income, only slightly higher than the cost of maintaining an extra flight. In some airports, airlines even pay extra for additional passengers. The additional income is generated by the retail trade that is offered to passengers.

In this segment, Boryspil Airport competes with Kyiv Airport for point-to-point, business aviation and low-budget transportation.

While the airport "Kyiv" has significant infrastructure restrictions that do not allow to redirect to itself large network carriers, there is a risk of loss of charter airlines by the airport Boryspil in connection with the airport "Kyiv" aggressive marketing policy and the use of flexible discount system.

In order to overcome such competition, Boryspil Airport encourages airlines to charter flights. In order to maintain and increase passenger traffic generated by the leading charter carriers, the airport implements a system of their motivation and initiates changes in the regulatory framework.

All other airports in Ukraine are not considered as competitors, because Boryspil Airport has the status of the central airport and gateway to/from the country. The share of Boryspil airport in the total passenger flow of Ukraine is almost 65%.

To further assess the competitiveness of Boryspil, we need to compare it with other airports. The subjects of analysis will be the following European airports, which have been identified as competitor airports of Boryspil Airport: Warsaw, Sheremetyevo as the base airport of Aeroflot, Munich, Istanbul and Vienna.

Most of these hubs have developed through transfer flows generated by the base airlines, such as Frankfurt and Munich - Lufthansa airline, Istanbul - Turkish Airlines, Warsaw - LOT, Sheremetyevo – Aeroflot.

Boryspil Airport is not the largest airport among competitors in terms of traffic volumes. Already in December 2017 Boryspil reached 10 million passengers (Fig.2.15) and in 2018 for the classification of the International Council of Airports of Europe, ACI Europe [43] moved to the next category – “major airports that serve annually from 10 to 20 million passengers”.

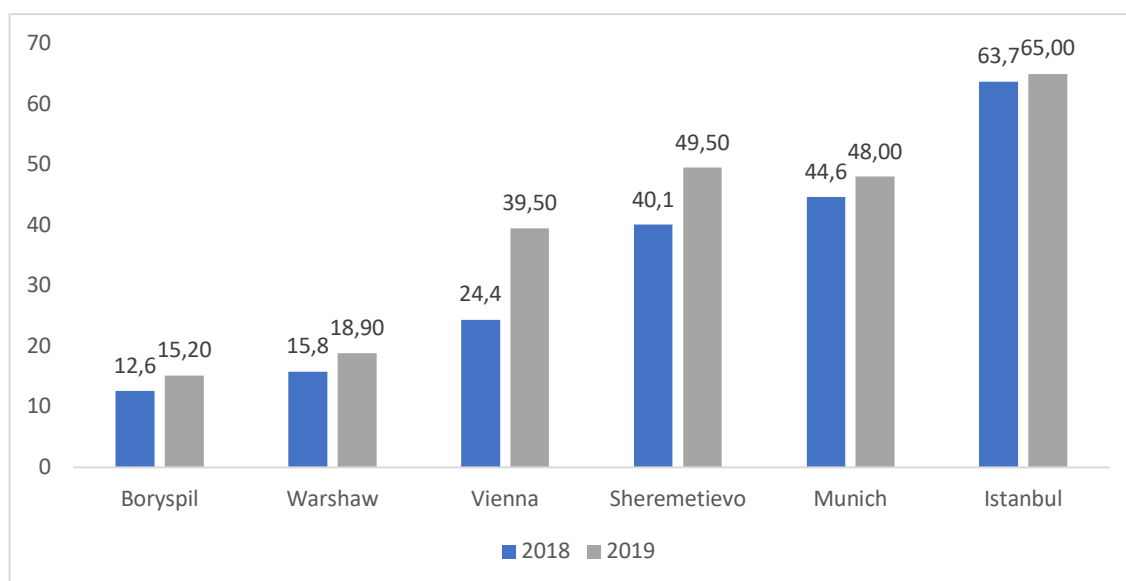


Fig. 2.15. Passenger traffic of airports-competitors, mln passengers
(made by author based on the company data)

Having the lowest rate of passenger traffic among competitor airports, Boryspil shows the fourth (+21%) after Vienna (+62%), Sheremetyevo (+23%), Warsaw (+23%) growth rate of this indicator.

Today, on average, the share of transfer transportation of competitors is 30%. Only Boryspil airport and Sheremetyevo airport increased the share of transfer passengers (from 27% to 28% and from 23% to 37% respectively) (Fig. 2.16). At the same time this growth at Sheremetyevo airport was mainly due to domestic transfers. The share of transfer passengers at other competitors either remained unchanged (Warsaw 24%, Istanbul 42%), or even slightly decreased (Vienna from 27% to 26%, Munich from 37% to 36%).

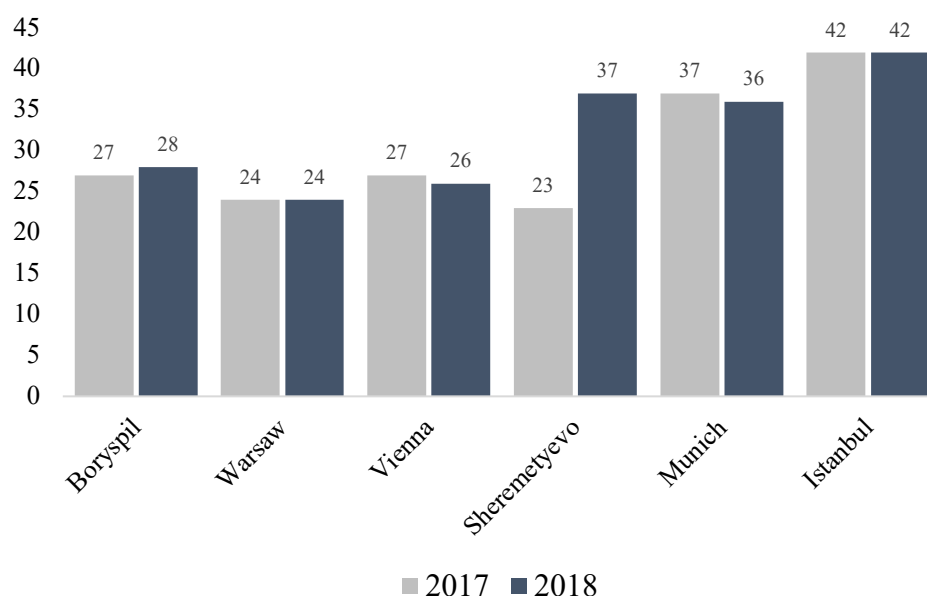


Fig.2.16. The share of transfer passengers of airport-competitors in 2016-2017, %
(made by author based on company data)

The share of the base airline in Boryspil airport is lower than in Sheremetyevo airport (in general the highest - 71%) (Table 2.4). Since this share in almost all competitors is equal to or exceeds 50%, the given table confirms the fact that the international hub is being created by a major airline company, which is the driver of the development of the base airport.

Table 2.4

Passenger traffic by base airline (made by author based on company data)

Airport	Passenger traffic in 2019, mln	Base airline	Passenger share, mln people	Passenger share, %
Istanbul	65.0	Turkish Airlines	44.2	68%
Munich	48.0	Lufthansa	26.4	55%
Sheremetyevo	49.5	Aeroflot	35.1	71%
Vienna	39.5	Austrian	18.9	48%
Warsaw	18.9	LOT	8.3	44%
Boryspil	15.2	MAU	9.1	60%

Attracting new passenger from other airport to its own base hub (centre of route network) develops own base hub and weakens airports-competitors. Competitive in terms of ‘price-quality’ is a common aviation product – result of cooperation ‘airport-hub’ and its base airline.

Since the issue of aviation revenue per passenger is directly related to the amount of aviation fees, here is a comparative analysis of the amount of fees per flight for the three main types of fees - takeoff/landing, passenger fee and aviation security fee (Table 2.5).

Table 2.5

Aviation fees, US dollars

(company data)

Airport	Passenger fee for 1 pass.	Air security for 1 pass.	Takeoff/landing	Passenger fee for 1 pass. transfer	Air security for 1 pass transfer
Warsaw	16.91	-	11.28	14.10	-
Boryspil	13.00	4.00	10.50	8.50	4.00
Vienna	20.80	10.09	10.51	5.79	10.09
Istanbul	15.00	-	8.57	5.00	-
Munich	25.14	1.07	11.09	20.73	1.07
Sheremetyevo	18.32	1.10	8.74	18.32	1.10

The analysis was conducted for the aircraft type Boeing 737-800 (maximum takeoff weight equals 79 tons), which had the largest number of flights from Boryspil airport for 12 months of 2019, the average load - 80%, the number of seats - 180.

In order to attract additional passenger traffic in June 2019, the governing body - the Ministry of Infrastructure of Ukraine - amended the order establishing the limits of aviation fees (passenger fee was reduced from \$17 to \$13).

We can state that the air charges at Boryspil airport are competitive and correspond to the average level.

The Ministry of Infrastructure of Ukraine prioritizes the development of non-aviation activities. The most common non-aviation activities at airports are: rentals, parking services, advertising, hotels, cabs and car rentals, banks/currency exchange, duty-free stores and souvenirs, restaurants, bars, cafes, vending machines, public transport providing the connection between the airport and the city, in-flight catering services.

Almost all of the above services are also provided at Boryspil Airport, but the income from these services and their share compared to competitors is insignificant. The main competitors of Boryspil operate in markets with a much higher level of solvency of the population and in better economic conditions (Table 2.6).

With the low level of runway per capita among competitor airports, the share of non-aviation revenues in the structure of Boryspil airport revenues can be close to the market average.

Table 2.6

Airport-competitors and low-cost airlines

Airport	Low-cost carriers (2019)	Quantity	
		2018	2019
Vienna	Blue Air, EasyJet, Eurowings, Germanwings, Jet2.com, Norwegian Air Shuttle, Transavia, Volotea, Vueling, Pegasus, Ryanair, Wizz Air	7	12
Warsaw	WOW air, Vueling, Wizz Air, Eurowings, Norwegian Air	5	5
Munich	Air Arabia, Blue Air, EasyJet, Eurowings, Norwegian Air Shuttle, Pegasus, Ryanair, Transavia, Vueling, Volotea	4	10
Sheremetyevo	FlyDubai, Air Arabia	3	2
Boryspil	Air Arabia, Sky Up, Ryanair	3	3

The market share of low-cost carriers at European airports is more than 30% of passenger traffic, while at the same time at Boryspil airport their share does not exceed 3%. Moreover, as can be seen from the analysis, unlike rival airports, the number of low-cost carriers at Boryspil airport is not growing. The main obstacle to this is, as in the case of non-aviation services, the low solvency of the country's population.

The practice of successful airport-competitors shows that realization of potential of Boryspil airport depends in the competitiveness of the joint base carrier air product.

Moderate level of competition is identified by the airports FRA, MUC, IST, VIE, DXB, DOH. These airports are the base for the leading carriers which work due to the hub&spokes model: Lufthansa Group, Turkish Airlines, Emirates & FlyDubai, Qatar Airways.

Thus, for successful competition with hub airports Boryspil has to not only ensure necessary infrastructure for servicing increasing number of transfer and direct passenger flows, but also deepen the cooperation with base carriers on the routes and transfer flows development.

Due to the results of market analysis the following is determined.

The direct competitors of the Boryspil airport are the East Europe airport (WAW, PRG, BUD). All of them has well-developed routes network and base carrier.

The next European airports FRA, MUC, IST, VIW which are currently by volume traffic is well ahead of Boryspil airport, defined as landmarks for the successful realization of the hub concept. With the aim to approach the profile of these airports, the Boryspil airport has to:

- develop in the direction of simplification of formalities and increase the comfort level for the passengers;
- deepen the cooperation with base carriers on development routes and transfer flows;
- make airport more attractive and affordable (motivation system for air carriers through flexible system of fees, development of new types of business, broaden the spectrum of non-aviation services).

The main growth drivers in the upcoming years are the following:

1. The presence of the strong base airline which works on the hub and spokes model;
2. The presence of transparent and flexible airline motivation system aimed at increasing passenger traffic (direct and transferred) and development of the routes network;
3. Development of the non-aviation segments;
4. Airport infrastructure development (terminals, platforms, runways, maintenance systems) to provide comfortable service to passengers and airlines.

2.2. Analysis of financial activity of the State Enterprise “Boryspil International Airport”

When analyzing and evaluating the competitiveness of any enterprise it is very important to constantly monitor the dynamics of financial and economic indicators of the object of research.

In order to evaluate the financial position of the Boryspil, we managed first of all vertical and horizontal analysis of income statement (Table 2.7 and Table 2.8). Vertical analysis shows what is the share of each components of income statement as percent of net sales. Horizontal analysis shows what is the evolution of each components of income statement (percentage change).

As we can see from the table cost of goods sold (COGC) expanded by 3% from 2016-2019, with huge increase between 2018 and 2019 meaning that gross margin is going down. Operational expenses constitute 46% of net sales, they are relatively stable over time. Operating margin is at the confident level of 53%, slightly decrease from 2018, but still remains very prominent in terms of operational efficacy. Tax burden takes 10% of revenue of Boryspil. And net profit margin composed 43% in 2019.

Table 2.7

Vertical analysis of Boryspil (based on financial statements, measured by author)

	2016	2017	2018	2019
Net sales	100%	100%	100%	100%
Cost of goods sold	38%	33%	35%	41%
Gross profit	0%	67%	65%	59%
Other operational income	10%	5%	4%	4%
G&A	2%	2%	2%	3%
Selling and marketing expenses	0%	0%	0%	0%
Other operational expenses	4%	7%	5%	2%
Interest income (expense)	66%	64%	61%	57%
Other income	1%	0%	0%	1%
Other income	11%	3%	2%	2%
Interest expense	16%	12%	7%	6%
Other interest expense	29%	4%	1%	1%
Operational income before taxes	34%	51%	55%	53%
Tax	6%	9%	10%	10%
Net profit	28%	41%	45%	43%
Operational expenses	2016	2017	2018	2019
Material costs	6%	7%	6%	9%
Salary expenses	13%	13%	15%	17%
Deductions for social events	5%	3%	3%	4%
Amortization	12%	9%	9%	9%
Other operational expenses	7%	10%	10%	7%

The graph with calculated margins is provided below (Fig. 2.17).

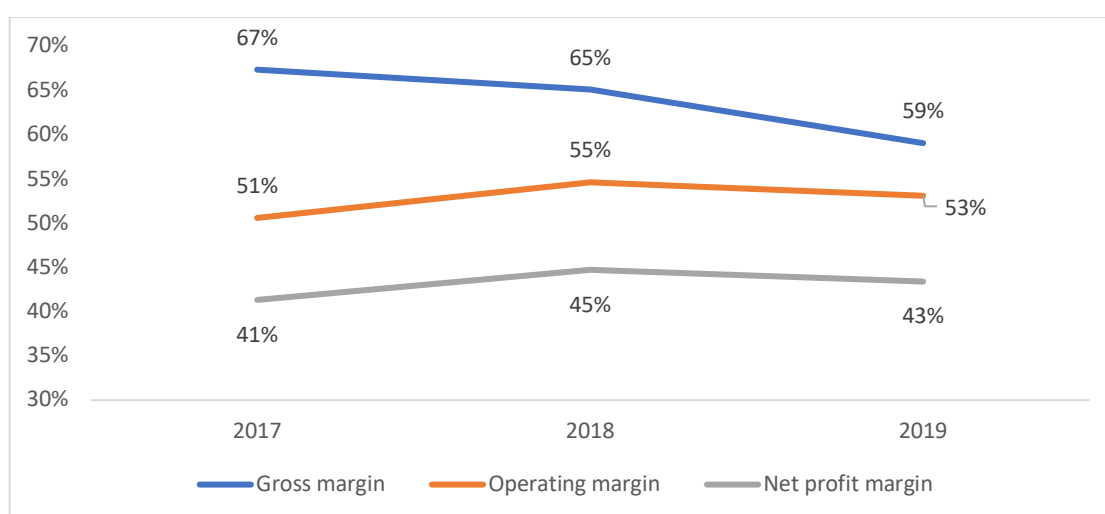


Fig.2.17. Marginality of Boryspil, % (calculated by author)

After discussing vertical analysis, we can go further to the horizontal analysis to see how growth evolved from 2017.

Table 2.8

Horizontal analysis of Boryspil (based on financial statements, measured by author)

Article of expenses	2017	2018	2019
Net sales	33%	15%	11%
Cost of goods sold	-16%	-23%	-30%
Gross profit		12%	0%
Operational income before taxes	98%	25%	7%
Tax	-92%	-23%	-8%
Net profit	99%	25%	7%
Operational expenses			
Material costs	54%	2%	64%
Salary expenses	30%	37%	29%
Deductions for social events	-21%	34%	26%
Amortization	-2%	13%	13%
Other operational expenses	82%	12%	-18%
Total operating expenses	27%	20%	20%

Net sales revenues in 2019 increased by 11% and amounted to 4.3 bn UAH. At the same time profit before tax increased by 7% to the level of 2.3 bn UAH. Net profit of the state enterprise under the national accounting standards in 2019 was 1.9 bn UAH (increased by 7%). These results indicate about downward trends – there is a slowdown in the growth trends. It could be assumed that results of 2020 financial year would be worse substantially due to the global lockdown, and even with open domestic flights, Ukrainians have decreased their costs as disposable income decreased as well. However, in 2018 company managed to achieve much better results than in 2017. The mentioned results were achieved by the state enterprise due to attraction of additional passenger traffic: the number of passengers served during 2018 increased by 19% to the level of 12.6 mln people (in 2017 the number was 10.6 mln people).

Since passenger flow is the main production indicator of the company, we present it in the dynamics for the period of 2014-2017 (Fig. 2.18).

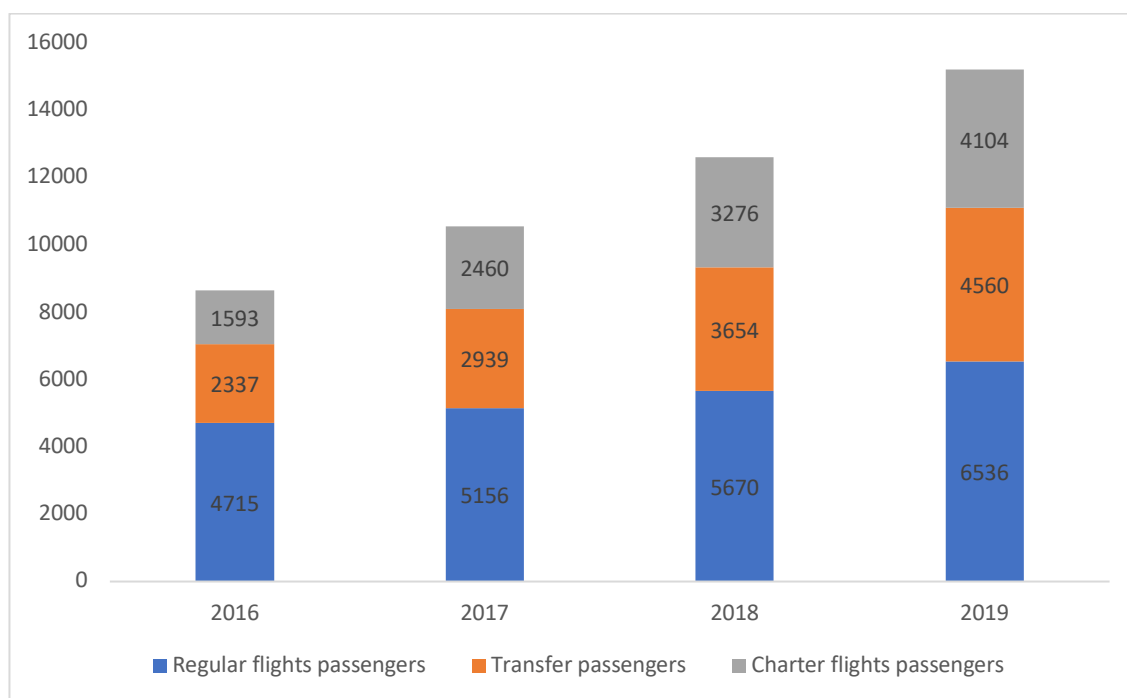


Fig.2.18. Dynamics of passenger flow at Boryspil
(based on the company data)

Direct regular passenger flow increases insignificantly. The main growth of passenger flow is ensured by attracting transfer passengers.

Let us analyse the financial indicators to assess the company's financial position. The financial and economic indicators are presented through Tables 2.9-2.12.

The analysis of the structure of capital and financial independence of State enterprise "Boryspil International Airport" showed that the company mainly operates at the expense of equity, which corresponds to the established standard. The same applies to the characteristics of the debt capital concentration coefficient.

The share of equity in borrowed capital is rather significant and testifies to the fact that the enterprise has the possibility to cover its long-term liabilities.

Table 2.9

Indicators of capital structure and financial independence (prepared by author)

№	Indicator	Methodology	Economic meaning	Norm	2017	2018	2019
1	Equity concentration ratio	Equity attributed to the balance sheet currency	Characterizes the share of business owners in the total amount of funds advanced to its activities	> 0.5, incr.	0.61	0.64	0.69
2	Debt capital concentration ratio	Borrowed capital attributed to the balance sheet currency	Shows the share of working capital in the financing of the enterprise	< 0.5, decr.	0.28	0.23	0.16
3	Coefficient of financial stability	The ratio of equity and debt capital	Shows the share of equity in the loan	> 1	2.16	2.79	4.43
4	Debt ratio	The ratio of debt and equity	Shows how many monetary units of borrowed funds per unit of own funds	< 1	0.46	0.36	0.23
5	Equity maneuverability ratio	The ratio of working capital to equity	Shows what part of equity is involved in financing current activities, and what is capitalized		0.23	0.27	0.22

Debt ratio shows that 0.46, 0.36 and 0.23 cash units of borrowed funds goes per one unit of own funds of the enterprise.

The equity capital ratio shows that 0.23, 0.27 and 0.22 part of the equity capital is used to finance current operations and the other part is capitalized.

The value of own working capital shows that the company's own capital decreases as a source of coverage of current assets of the company, but meets the standard.

The absolute liquidity ratio shows that the part of current debt that can be covered by the company at the expense of available cash decreases, but meets the normative index.

The quick (interim) liquidity ratio for the period goes beyond the normative standard and indicates what part of the current debt can be covered by the company at the expense of the most liquid current assets.

Table 2.10

Analysis of liquidity and solvency ratios (prepared by author)

№	Indicator	Methodology	Economic meaning	Norm	2017	2018	2019
1.	The amount of working capital	Excess of current assets over current liabilities	Characterizes the part of equity that is a source of current assets	>0, incr.	303 506	291 551	35 499
2.	Absolute liquidity ratio	The ratio of cash to short-term liabilities	What part of the current debt is covered by cash	> 0.2	0.68	0.49	0.36
3.	Quick (interim) liquidity ratio	The difference between current assets and inventories, classified as current liabilities	Shows what part of the current debt is covered by the most liquid current assets	> 1	1.08	0.99	0.76
4.	Current (total) liquidity ratio (coverage)	The ratio of current assets to short-term liabilities	General assessment of liquidity, as current liabilities are secured by working capital	> 2	1.31	1.23	1.03
5.	Coefficient of maneuverability of working capital	The amount of cash and current financial investments, up to the value of working capital	Part of own working capital in the form of cash and current financial investments	Incr.	0.52	0.40	0.35
6.	The share of working capital in covering inventories	The amount of working capital attributed to inventories	Characterize that part of the value of inventories covered by working capital	> 0.5	5.76	4.99	3.89

The ratio of own working capital maneuverability shows that the share of own working capital in the form of cash and current financial investments is decreasing.

The share of own working capital in covering inventories characterizes that part of the cost of inventories covered by own working capital is significant.

The main reason for the decrease in liquidity ratios, confirmed by independent auditors, is the transfer of short-term liabilities into long-term liabilities.

The current (total) liquidity ratio (coverage) does not meet the established standard and shows that current liabilities are not fully covered by current assets.

Table 2.11

Analysis of business activity indicators (prepared by author)

№	Indicator	Methodology	Economic meaning	Norm	2018	2019
1	Asset turnover ratio	The ratio of sales revenue to the average balance sheet total	Characterizes the intensity of use of enterprise funds	Incr.	0.37	0.43
2	Receivables turnover ratio	The ratio of sales revenue to the average amount of receivables	Shows how many times a year the funds invested in are returned	Incr.	4.96	5.30
3	Accounts payable turnover ratio	Sales revenue attributed to average accounts payable	Displays how many turnovers it takes to pay bills	Incr.	4.88	4.39
4	Fixed assets turnover ratio	Net income divided by average cost of main funds	Shows the efficiency of use of fixed assets of the enterprise	Incr.	0.64	0.73
5	Turnover ratio	Net income divided by the average value of current assets	Shows the efficiency of working capital of the enterprise	Incr.	2.37	2.65
6	Equity turnover ratio	The ratio of sales to the average value of equity	Displays the volume of sales per unit of equity	–	0.59	0.64
7	Duration of turnover in days	Number of calendar days to turnover ratio	Shows the turnover rate in days of assets or their elements	Decr.	154.32	137.92

The intensity of the use of funds of the enterprise increases, which is a positive trend. The amount of rotation of funds invested in settlements is increasing. The enterprise needs 4.88 and 4.39 revolutions of accounts payable, respectively, to pay the invoices. The efficiency of using the fixed assets of the enterprise is increasing. The efficiency of

the use of current assets of the enterprise is improving. The volume of products sold per unit of equity is increasing. The assets turnover rate is 138 days, which is a positive trend.

Thus, it can be noted that the level of business activity of the enterprise is quite high.

Table 2.12

Analysis of profitability indicators (prepared by author)

№	Indicator	Methodology	Economic meaning	Norm	2018	2019
1	Return on assets ratio	The ratio of net income to average assets	Displays the amount of profit per unit of investment	Incr.	0.15	0.19
2	Profitability ratios	The ratio of net (gross) profit to sales revenue	Displays how much net (gross) profit is contained in the currency of sold products	Incr.	0.41	0.45
3	Coefficient of profitability of the main activity	The ratio of gross profit to cost of sales	Shows the ratio of gross profit and production costs	Incr.	2.06	1.87
4	Return on equity ratio	The ratio of net income to the average value of equity	Characterizes the efficiency of equity use	Incr.	0.25	0.29
5	Payback period of equity	The indicator is inverted to the previous one	Shows how many years later the advanced capital will be returned to the owners	Decr.	4.08	3.47

For each 1 UAH of invested funds the enterprise receives 0.15 UAH and 0.19 UAH of profit. In 1 UAH of sold products there are 0.41 and 0.45 UAH of gross profit. The ratio of gross income to the costs of production is 2.06 and 1.87. The efficiency of the use of equity is 0.25 and 0.29 UAH. Advances in capital will return to owners in 3.47 years.

2.3. Analysis of the potential candidate for strategic partnership

In this subsection we will look at the activity of the international company Amazon. The reason for analyzing Amazon in the master thesis is due to the suggestion of the partnership strategy between Boryspil and Amazon. The further details about the creating of Aviation Logistic Hub will be discussed in the Chapter 3.

The primary interest of economic analysis of Amazon is its marketplace and Amazon Air.

Amazon is one of the biggest e-commerce retails in North America generating revenue \$250bn. Amazon's disruption of the retail industry is well documented, but it continues to find ways to evolve. Its operational efficacy, network effect, and a brand intangible asset give its marketplaces sustainable competitive advantages that few, if any, traditional retailers can match. The combination of competitive pricing and unparalleled logistics capabilities, and speed, and high-level customer service makes Amazon an increasingly vital distribution channel for consumer brands (especially in light of Covid-19 operating restrictions hindering physical retailers). Amazon will maintain its consumer proposition through expedited Prime shipping, an expanding digital content library, and new customer services. Aided more than 540 million estimated global active users within 175 million global Prime members and an unrivalled fulfilment infrastructure, Amazon owns one of wider economic moats in the consumer sector and is likely to reshape retail, digital media, enterprise software, logistics categories for years to come.

Amazon also benefits from a network affect, as low prices, an expensive breadth of products, and a user-friendly interface attract millions of customers, which in return attract merchants of all kinds to amazon.com, including third-party sellers on Amazon marketplace platform (which represents 53% of total units sold in 2019) and wholesaler/manufacturers selling there.

The analysis of income statement of Amazon is provided in the Appendix C.

Due to the increased tariffs from major carries like FedEx, UPS and DHL, Amazon decided to decrease the share of shipping performed by these carriers and create its own delivery service called Amazon Air. The airlines operating Amazon Air use Boeing 737

and Boeing 767 aircraft. All are operated by Atlas Air, Air Transport Services Group, ASL Airlines Ireland, Southern Air and Sun Country Airlines. Amazon Air has a fleet of 70 aircrafts with central air hub in Cincinnati/Northern Kentucky International Airport. The company own 20% stakes in Atlas Air Worldwide Holdings and Air Transport Services Group which provide Amazon with aircrafts and perform flights.

E-commerce giant Amazon founded Amazon Air (formerly Prime Air) in 2016 and established its main hub in Cincinnati.

We performed the analysis of Amazon's supply chain strategy. Below we described the supply chain process (Fig. 2.19).

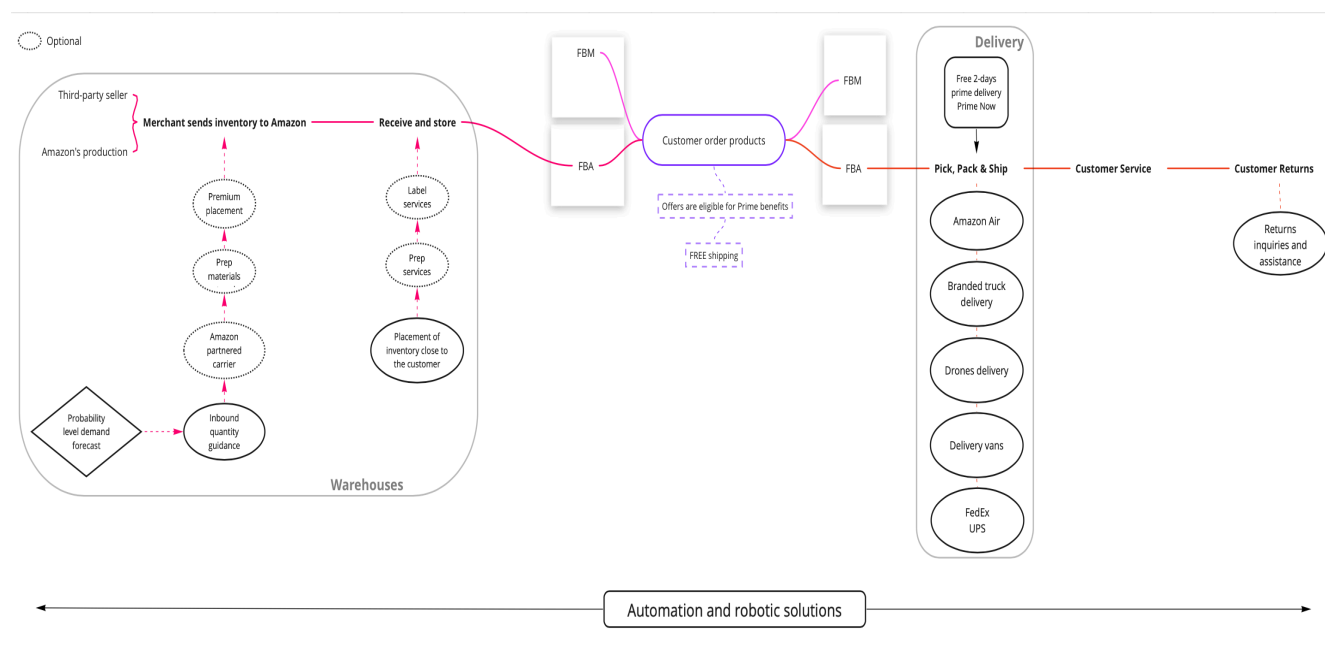


Fig. 2.19. Amazon's supply chain process
(constructed by author)

Sellers on Amazon has different fulfillment options to choose from – fulfillment by Amazon (FBA) and fulfillment by merchant (FBM). FBA stands for Amazon's fulfillment for products sell on Amazon marketplace, and FBM – for sellers' fulfillment. Besides third-party sellers, Amazon has its own production of low-cost products, and white-labeling products from other sellers. Under the FBA merchant sends the inventory to Amazon, warehouses, where the products stored. Once the order was made on the

website, the product is picked, packed and shipped by any of the listed ways. Under the prime subscription, buyers are applicable to free shipping within two days, or it can be service prime now which stands for delivery within two days. Amazon also operates customer service and returns. All of the lines are equipped with automation and robotic solutions.

Let us further discuss the distribution infrastructure. As of December 2020, Amazon operates the following global distribution infrastructure which is presented at Table 2.13.

Table 2.13

Amazon's global distribution infrastructure [62]

Country	Facility type	Active facilities	Future facilities
1	2	3	4
USA	Fulfillment, Supplemental, Return Centers	217	89
	Pantry/ Fresh Food FCs	22	2
	Whole Foods Retail Grocery DCs	12	0
	Prime Now Hubs	55	0
	Inbound Sortation Centers	17	6
	Outbound Sortation Centers	57	12
	Delivery Stations	372	127
	Airport Hubs	10	4
	Subtotal USA	762	240
Canada	Fulfillment Centers	12	4
	Prime Hubs	1	0
	Outbound Sortation Centers	1	0
	Delivery Stations	17	3
Mexico	Fulfillment Centers	5	0
	Outbound Sortation Centers	0	2
	Delivery Stations	27	0
Brazil	Fulfillment Centers	7	0
UK	Fulfillment Centers	38	7
	Pantry/ Fresh Food FCs	2	1
	Inbound Sortation Centers	1	0
	Outbound Sortation Centers	5	0
	Delivery Stations	51	4
Germany	Prime Hubs	13	0
	Fulfillment Centers	29	0
	Inbound Sortation Centers	2	1
	Outbound Sortation Centers	5	0
	Delivery Stations	14	17
Austria	Airport Hubs	1	0
	Prime Hubs	4	0
France	Delivery Stations	2	0
	Fulfillment Centers	10	4

Country	Facility type	Active facilities	Future facilities
1	2	3	4
	Sortation Centers	3	1
	Delivery Stations	8	0
	Prime Now Hubs	1	0
<i>Cont, of Table 2.13</i>			
Italy	Fulfillment Centers	8	0
	Prime Now Hubs	2	0
	Sortation Centers	2	0
	Delivery Stations	17	0
Spain	Fulfillment Centers	9	1
	Pantry/ Fresh Food FCs	1	0
	Prime Now Hubs	4	0
	Sortation Centers	0	1
	Delivery Stations	15	2
Poland	Fulfillment Centers	6	2
	Inbound Sortation Centers	1	0
Slovakia	Fulfillment Centers	1	0
Sweden	Fulfillment Centers	0	1
Singapore	Prime Now Hubs	1	0
Japan	Fulfillment Centers	18	0
	Prime Now Hubs	9	0
India	Fulfillment Centers	63	6
	Sortation Centers	12	5
	Prime Now Hubs	15	0
	Delivery Stations	280	0
Australia	Fulfillment Centers	7	2
	Delivery Stations	0	3
UAE	Fulfillment Centers	2	0
	Delivery Stations	1	0
Egypt	Fulfillment Centers	1	0
Kuwait	Fulfillment Centers	1	0
Saudi Arabia	Fulfillment Centers	3	0
	Delivery Stations	11	0
Rest of the world		749	67
Total		1511	307

So, the most developed regions in terms of logistics infrastructure are the USA, UK, Germany and India. European region is concentrated with fulfillment centers (101), sortation centers (18), Prime Now hubs (24) and delivery stations (107). Fulfillment centres and delivery stations are the prominent areas for development.

Analysis of costs of Amazon indicates that shipping and fulfillment costs are constantly increasing (Fig. 2.20), since Amazon provides almost all delivery in-house, as well growth of e-commerce implies higher gross merchandise volume and more delivery.

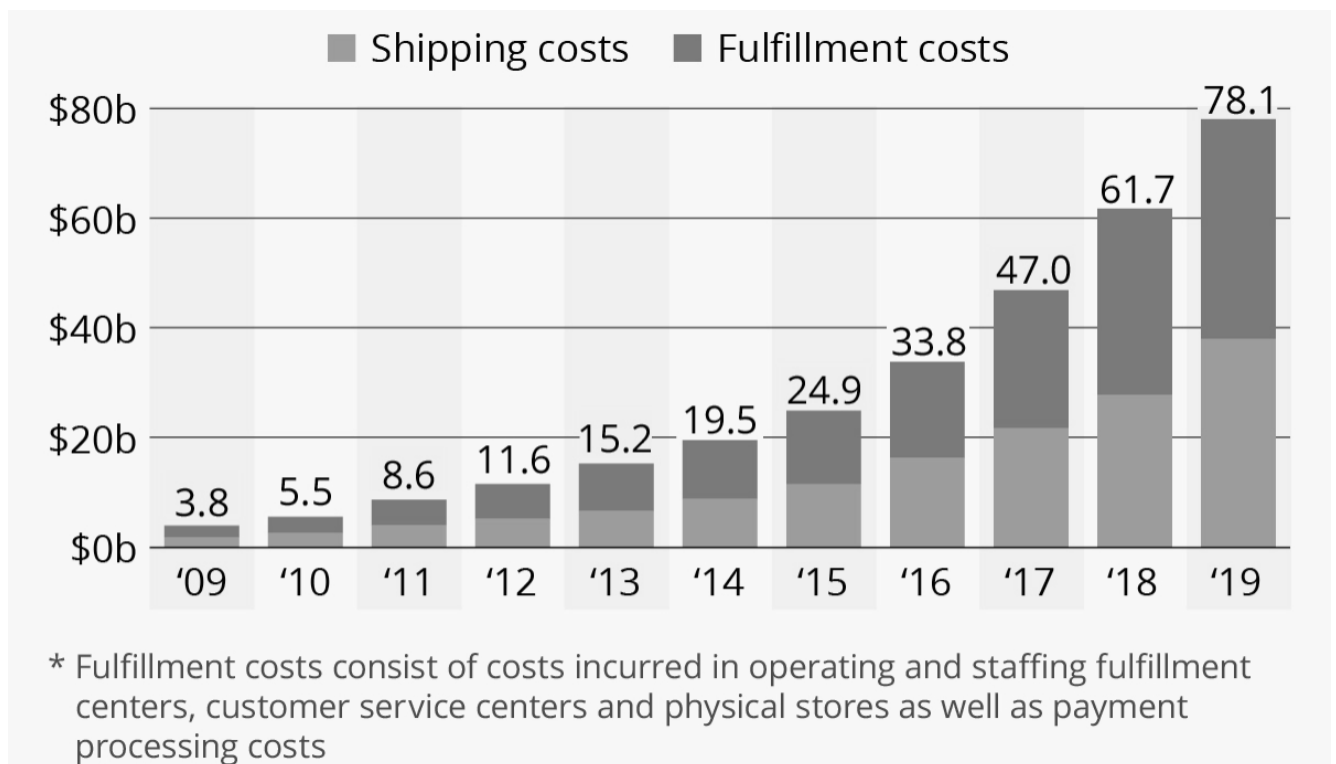


Fig. 2.20. Amazon logistics costs [61]

For trading platforms intra-European air networks are becoming increasingly important because they promise timely delivery to their customers. They can only be reliably realized over short distances by ground transport such as sprinters or even trucks, but not over long distances. Dense traffic, numerous construction sites and frequent traffic jams often cause the management of urgent deliveries to collapse when transported by road. Domestic European flights offer themselves as a reliable and fast alternative.

Amazon has operated its own fulfillment center in Leipzig since 2006. Same-day deliveries to customers in Dresden, Leipzig and Berlin are active since 2006. Amazon's headcount in Leipzig in 2019 amounted to 2000 in various areas ranging from dispatch workers and IT specialists to HR officers. In 2016 Amazon had invested in Leipzig/Halle airport €1.2 million in conveyer technology. Later in 2018 Amazon spend additional €5 million for development capacity of warehouse. In November 2020 Amazon reported about the entrance of Amazon Prime Air into the European Leipzig/Halle airport which would become the first-ever regional air hub in Europe. The new facility occupies 20,000 square feet and will accommodate two Amazon-branded Boeing 737-800 aircraft. The company uses similar approach to that in Cincinnati/Northern Kentucky – uses DHL's

expanded distribution center in Leipzig and develops into its own transport hub. The new operations expand Amazon Air's regional capabilities to continue to delight customers in Germany and throughout Europe.

From Leipzig Amazon Air has regular flights to Cologne/Bonn, East Midlands, Katowice, Madrid, Milan-Malpensa.

Before creating the hub in Leipzig/Halle airport, Amazon performed flights to Cologne/Bonn airport, Dusseldorf airport, Schiphol Airport in Amsterdam. Then we provide analysis on the basic characteristics why Amazon prefer to choose these airports and compare them to Boryspil airport (Table 2.14, 2.15). The factors were assigned the weight. Evaluation of factors is in the range from 1-5, where 1 stands for “not satisfied”, and 5 – “completely satisfied”.

Table 2.14

Codes for Table 2.13

Airport	Code for table
Leipzig/Halle	A
Cologne/Bonn	B
Dusseldorf	C
Amsterdam/Schiphol	D
Boryspil	E

Based on the competitors' assessment Leipzig/Halle airport has the highest score followed by Boryspil airport, which is well positioned to satisfy the needs of Amazon. Geographical location of Boryspil provides the access to the Eastern Europe and Asia. These markets are not covered with the distribution system of Amazon and following the strategy of geographical expansion, Amazon will be in need of reliable partner for that region of operations. Warehouse capacity of Boryspil now is up to 100 tons per day (annually 36 500 tons). That is why Boryspil started to build new cargo terminal (till 2023) with capacity of 328 tons per day or 120 000 per year. The total area of new terminal is 15 000 m². To compare, the area of Leipzig airport is 20 000 m².

Table 2.15

Comparative analysis airports Amazon uses and Boryspil (created by author)

№	Factor	Weight	Expert evaluation					Score				
			A	B	C	D	E	A	B	C	D	E
1	Geographical location	0.2	5	4	4	3	5	1.00	0.80	0.80	0.60	1.00
2	Warehouse capacity	0.25	4	3	3	3	3	1.00	0.75	0.75	0.75	0.75
3	Cargo volumes proceed	0.09	5	3	4	3	2	0.45	0.27	0.31	0.27	0.18
4	DHL transport network	0.08	4	5	5	4	4	0.32	0.40	0.40	0.32	0.32
5	E-commerce penetration	0.07	4	4	4	4	4	0.28	0.28	0.28	0.28	0.28
6	Quality of service	0.06	4	4	4	3	3	0.24	0.24	0.24	0.18	0.18
7	Reputation	0.05	5	4	4	3	3	0.25	0.20	0.20	0.15	0.15
8	Financial position	0.06	4	3	4	3	4	0.24	0.18	0.24	0.18	0.24
9	Partner reliability	0.08	5	4	4	3	5	0.40	0.32	0.32	0.24	0.40
10	Negotiation process	0.06	5	4	4	4	5	0.30	0.24	0.24	0.24	0.30
Total								4.48	3.68	3.74	3.21	3.80

So, given characteristics of the Boryspil airport, it could satisfy the requirements of the Amazon to become a strategic partner in global distribution system.

CHAPTER 3. RECOMMENDATION ON IMPROVING FOREIGN ECONOMIC ACTIVITY THROUGH STRATEGIC PARTNERSHIP WITH AMAZON INC

3.1. The justification of strategic choice for the Boryspil

The strategy is a key document of the international airport Boryspil, which sets out its main objectives in the short and long term. The official development strategy of the international airport Boryspil for 2015-2019 was taken for review and analysis, as well as adjustments. It should be noted that the chosen strategy of Boryspil Airport - a hub strategy is theoretically incorrect, because "aero-port-hub" is a specialization. To set the strategy correctly, a strategy of diversification of activities should be chosen, because it is the safest and insures the main activity of the airport with related services.

After analysing business model, economic and financial condition and competitive positioning of the Boryspil Airport, we may prepare the SWOT-analysis matrix in order to identify the potential areas for development (Table 3.1).

The SWOT analysis is important to analyze in our project since this is the factors that distinguish specific enterprise from any other on the market. This gives us important information on where the Boryspil stand now in a competitive market and what steps are needed to be taken while performing strategic management.

Moreover, SWOT is a tool to understand business health of the company, at the same time not only identify where the company is now, but also define future opportunities, directions.

Using SWOT analysis we will create a strategic plan to meet desired objectives and in time adapt to ever changing external environment. In such a way the company and strategic management team stays proactive to external and internal environment.

Table 3.1

SWOT-matrix

	Strengths	Weaknesses
	Base airport for the largest airline in Ukraine with spread network of the routs including transcontinental flights Favourable location with regard to Kyiv Airfield capabilities to serve long-haul flights Major share of international flights	Not enough developed transfer infrastructure Almost fully employed terminal D Relatively high-cost commercial services Entry barriers from the base airline Not fully developed freight infrastructure High level of formalities while transferring the border of the country
Opportunities	S-O analysis	W-O analysis
Expanding the number of low-cost airlines Potential increase in passenger traffic after stabilizing external environment Geographical location for development of the hub in Boryspil Existence of unrealized demand for air services	1. Involving airlines into the airport to stimulate new directions for flights and support of the existing routs to increase passenger traffic. 2. Development of the cargo handling and logistic centre at the Boryspil.	1. Further development of infrastructure to serve increasing quantity of flights and passengers. 2. Decrease the cost of rent for restaurants and cafes to decrease prices for commercial services or carrying out auction for renting 4. Reconstruction of obsolete parts of the airport
Threats	S-T analysis	W-T analysis
Low purchasing power of the population, economic crisis Low attractiveness of Ukraine as a touristic country because of the war situation in the country More successful and dynamic development of the competitors (airports) Sharp decline in passenger traffic due to the lockdown	1. Increase the passenger traffic on domestic flights through decreasing the prime cost 2. Open new routes and flights to satisfy the demand after the lockdown end 3. Development of cargo transportation to minimize the revenue losses from Covid-19 lockdown	1. Cooperation and experience sharing with leading European airports 2. Increase the number of transfer flights to address the problem of low purchasing power of population in Ukraine and attract foreigners

Based on the SWOT-matrix, we propose the following goals tree (Fig.3.1). We identified three main directions –international passenger hub, cargo handling, commercial services.

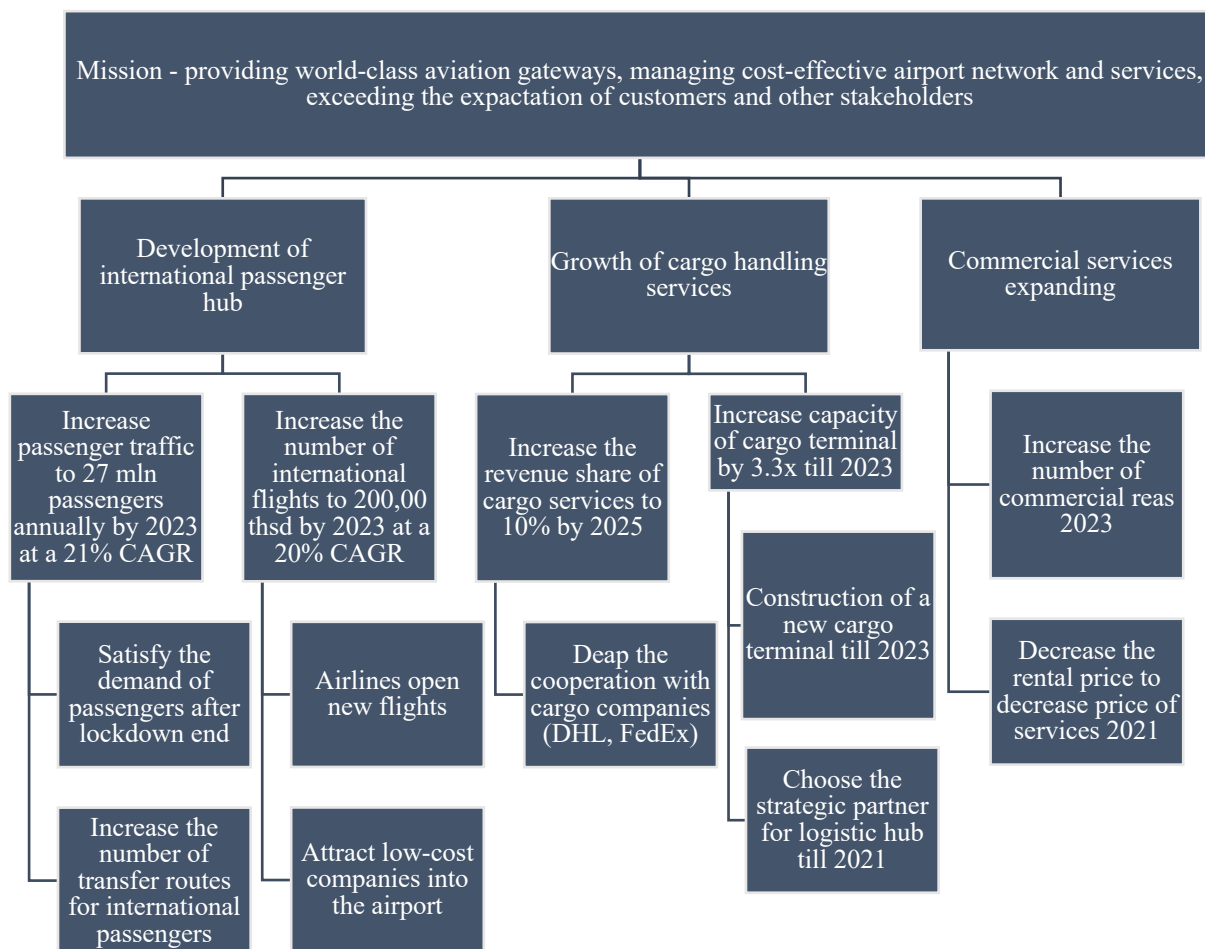


Fig. 3.1. Goals tree for Boryspil Airport
(based on strategic analysis)

Strategic plan of Boryspil, developed in 2015 and approved by the Ministry of Infrastructure of Ukraine. The strategic goals based on the strategic plan were identified and presented in Table 3.2.

Table 3.2

Strategic goals of Boryspil (authorized by the Minister of Infrastructure)

Strategic goals	How to achieve
1	2
Integration in the system of leading	Stimulation of the air companies to open new flights and development of the existent routes
	<i>Cont, of Table 3.2</i>

Strategic goals	How to achieve
1	2
European transfer flows	Cooperation with air companies in order to increase passenger traffic
	Creation of infrastructure for servicing transfer passengers
	Launching new services to increase revenue
	Development cargo handling and creation of logistic centre
	Holding the benchmarking among European airports
	Adhere to the active standards on the servicing air companies and passengers
Development of infrastructure to ensure passengers' satisfaction	Increase level of comfort for passengers through development of commercial areas (shops, food courts etc)
	Ensuring operational readiness of machinery and equipment
	Construction of a parking lot and commissioning
Cost reduction strategy for services	Increase in labour productivity
	Outsourcing launching
	Reducing the cost of procurement and improving transparent competitive conditions for procurement based on a transparent e-procurement system
	Avoiding duplication of functions of structural units
Increase in the level of corporate culture, creation of the conditions for development and professional growth	Corporate studying
	Increase of professional competencies of employees through passing the obligatory professional studying
Reduction of harmful influence on the external environment	Introduction of energy saving technologies
	Continuous monitoring of environmental impact to take the necessary measures

The main priority of strategic plan is development of international hub. Anyway, strategic plan is the document which outlines the main priorities for short- and long-term. One of the disadvantages of such plan is that it developed for the Boryspil identifying its main priorities for development but does not define the development vector on the state level.

Strategy description. The decision is taken within the growth strategy: market development strategy.

As the part of the strategy aiming at the development of international hub, we propose to execute creation of the aviation logistic centre hub for commercial companies at the basis of Boryspil.

The new cargo terminal at Boryspil airport will be positioned in the market as the main air logistics centre of the country, able to compete on the international market and turn Ukraine into a powerful transit centre. The information is summarized in the Table 3.3.

Table 3.3

Strategic process of new project description (prepared by author)

Mission	Boryspil is leading provider of air cargo services in Eastern Europe
Market position	Boryspil account for 35% of all air cargo deliveries
Task	Expand cargo handling services at Boryspil
Method	Creation of aviation logistic centre for commercial companies
Goals and objectives	Increase capacity of cargo terminal by 3.3x till 2023
	Increase the revenue share of cargo handling to 10% till 2025
Strategy	Market development strategy through partnership with commercial delivery company (Amazon) within intermodal hubs-and-spoke model
Actions	Develop tree of goals and network analysis to describe the partnership process between sides
Control	On-going control; and when there is increase in capacity of cargo terminal, and revenue share of cargo handling

Description of the need for aviation logistics centre. Cargo terminal which is now available at Boryspil does not satisfy the available demand for cargo handling.

1. One of the reasons, according to the European business accusation, that currently hinders the development of air cargo in Ukraine is the deteriorated infrastructure of Boryspil Airport's cargo terminal. Both terminal and its capacity have remained unchanged for many years. This regularly causes problems during cargo shipments, especially in winter, when the airport is unable to cope with the volume of load due to bad weather. Current capacity of cargo terminal is 100 ton/day at maximum.

2. The second significant reason is that Ukraine is not directly connected to many famous destinations. For instance, Beijing, Shanghai, Hong Kong, Taipei, Los Angeles, Atlanta, Miami, Bangkok, Almaty, Tashkent are popular with airline clients, but national carriers do not suggest direct flights there. The lack of such direct connections leads to extended transit time for cargo delivery.

3. The third negative factor currently impacting the air transportation industry is the COVID-19 pandemic. In concrete terms, airlines note a significant rise in costs, caused primarily by the decrease in the number of commercial flights and the need to establish extra cargo flights, which are not always justified by the volume of transportation, but are necessary to comply with obligations to customers.

Now in Ukraine there is a great interest in the creation of intermodal transport and logistics centres. Under the aviation logistics centre (ALC) we propose to understand a complex structural and organizational economic object, functioning on the basis of a cargo airport within a certain macro environment, implements certain logistics functions in order to reduce time incompatibility, minimize costs and maximize compliance with the needs of consumers. The advantage of the aviation logistics centre is the very fact of the distribution node, i.e. cargo collection, repackaging and new distribution. Hubs are defined as collection points that serve the purpose of consolidating traffic flow. Concentrating and consolidating the flow reduces the cost of traffic through balancing air networks, mail delivery systems and telecommunications.

The model on which the ALC works in hub-and-spoke. The ALC hub is proposed to be created as interconnected networks, consisting of several fixed stations, connected by main transport combined with flexible local networks and international facilities. In our case, we must consider not only the creation of a new logistics centre at the basis of

Boryspil airport, but also the possibility of working with the 3rd enterprise to provide effective services to unpredictable customers. Additional services include warehousing and transportation by other modes within country and internationally.

As the part of the strategy it is necessary to construct new cargo terminal to satisfy the potential demand for the air transportation. From 2016 there is a discussion about the building the new cargo terminal at Boryspil. Additional land plots have already been allocated. It is planned to allocate a large territory in the second flight zone for the construction of a powerful center for handling air cargo. Creation of a high-tech European level cargo hub is one of the tasks of the management of the state enterprise.

In July 2020 the plans were again announced during the meeting with EBA Logistics Committee, Deputy Minister of Infrastructure of Ukraine, and representatives of Boryspil International Airport. Construction should begin in autumn and be completed by the end of 2020. However due to the lockdown and unclear yet financial budget for 2021, the construction works were suspended. However, the construction of the cargo terminal is in the strategic plan till 2023 together with building additional parking lot, increasing the capacity of Terminal D.

The building of the terminal will be financed by loans, which, according to representatives of Boryspil airport, have already been agreed upon. Total cost of the project is estimated at \$16 million. At the same time, the Ministry of Infrastructure is working to facilitate the bureaucratic procedure and is holding talks with Asian countries and others to attract additional transit flows.

The airport plans to build a new modern cargo complex of 15,000 sq m, which will handle export and import cargo, and then to reconstruct old cargo warehouses (another 7-8,000 sq m) and re-equip them as a specialized warehouse for perishable products. After its opening, reconstruction works will be done, and additional special storage warehouses will be created in place of those warehouses that were planned to be reconstructed earlier, and those warehouses that are now used for imports will be used by Ukrposhta and express operators.

As part of such relaunch, it is important to set the right emphasis on the intended use: today there is a great demand for the reconstruction of cargo airports. Ukraine's

commodity turnover with EU countries in recent years has increased by more than 12% annually, as well as trade with Asian countries. This is especially important for goods, products (medicines, flowers, plants, fruits, etc.) and high value-added goods (electronics). Intermodal transportation could be found useful in this case: an international cargo airport at the intersection of road and rail.

Infrastructure requirements. For such an intermodal hub to function, many conditions must be met. The first is the presence of a functioning terminal, designed to receive medium- and long-haul cargo aircrafts. The equipment must meet all the requirements of the time: modern systems of landing, navigation and communication, lighting of runway, apron and taxiways, regeneration system and lean technologies in energy management of the airport. Then - the construction of warehouses and logistics centres, which will store the goods brought by air, developed service and technical area and warehouses of fuels and lubricants. Aircraft hangars are also needed - for operations with primary maintenance of aircraft, to travel a long way to Ukraine.

The main condition for the existence of such a hub is and remains the availability of those willing to do transport operations. Roughly speaking, within the framework of trade with Asian countries, the client - a trading company - must ensure a steady demand for air transportation services, say, at dealerships in the EU. Ukraine acts as a transiter here, reloading goods arriving by air onto motor vehicles. Of course, this model would require a special mode of operation of land customs posts to prevent delays at the border through customs bureaucracy.

Management plans to present a corresponding investment project directly to air freight forwarders of global importance (DHL, UPS, FedEx, etc.). Moreover, DHL has already announced that they are ready to use Boryspil as a logistic hub as an alternative to the logistic hubs in Moscow and Istanbul. The project to attract an operator for the construction of an international logistics center on the basis of Boryspil has already been submitted to the American Chamber of Commerce.

We propose to consider Amazon as strategic partner for aviation logistics centre. Prerequisites for Amazon to choose Boryspil as an Airport Hub were described in the previous section.

Global level of electronic commerce will reach \$4 trillion in 2020 while Ukrainian market accounts UAH 4 billion. According to marketwatch penetration level of e-commerce in the world will reach 25% till 2025, up from 15% in 2020 (Fig. 3.2). US e-commerce will constitute about 40% year-over-year growth because of lockdown.

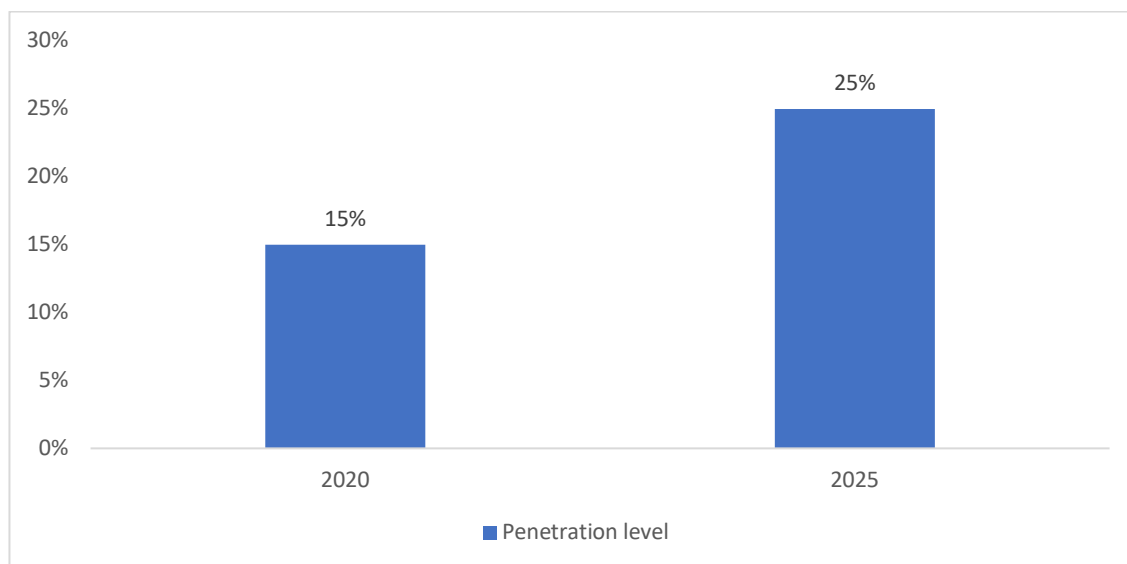


Fig. 3.2 Global penetration level of e-commerce, % [63]

The demand for e-commerce could potentially decrease in 2021 due to the changes in consumers' preferences. However, there is a global trend for digitalization; and penetration level of 25% is quite strong. Construction of new terminal is dedicated to the period when deceleration of e-commerce growth is present. However, after 2023 the demand for e-commerce would potentially renovate. Slowdown in 2021 is possible in case if there is Covid-19 vaccina and no other events which implies the lockdown or other restrictions.

3.2. The description of the strategic partnership between State Enterprise “Boryspil International Airport” and Amazon Inc

There are number of businesses and logistics companies who have significant share in the cargo flow, which also passes through the cargo terminal at Boryspil.

The growth of e-commerce is having a significant impact on air cargo. Originally, the primary customers of air cargo integrators were major e-commerce firms. However, with larger volumes, they tend to take more control of the supply chain, including in the air cargo segment. In such a way Amazon has created its own aviation service – Amazon Air to overcome increasing tariffs with FedEx, DHL for delivery.

Amazon Air in the strategy of creation logistics hub on the basis of Boryspil airport would become major customer of the hub.

This section describes the strategic partnership between Amazon Air and Boryspil International Airport.

We will start from the making up the scheme for management of strategic partnership creation. We will define the tasks and responsible people/positions for them.

Let's look in more details at the strategy framework for this cooperation. We will consider the following aspects of this strategic partnership: strategic rationale, financial impact, transaction risks considerations (Fig. 3.3).

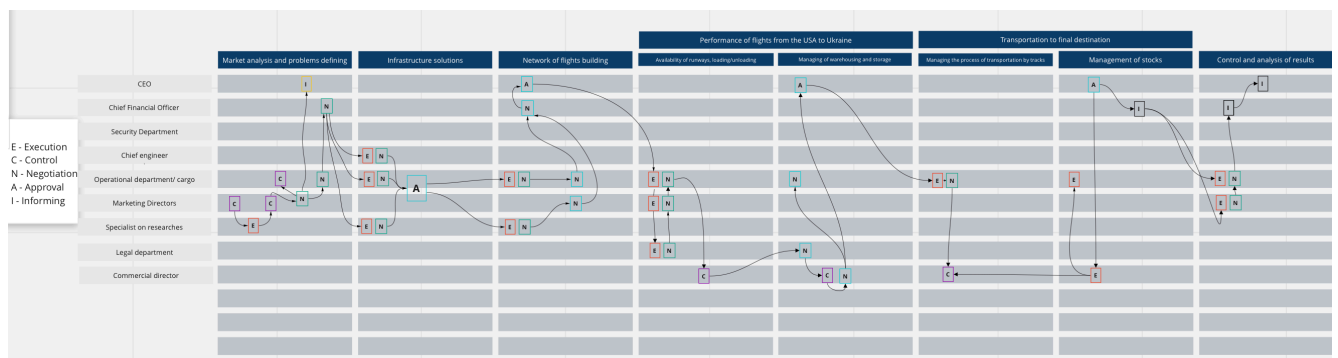


Fig. 3.3 Managerial process for partnership development (design by author)

Strategic rationale. Creating of aviation logistic hub is correspond to the market development strategy in terms of growth strategy. Boryspil has already have the cargo handling and will enhance it by investing heavily in R&D, construction works and expanding the volume through the potential partners-clients on the same market of aviation services. Introduction of aviation logistic hub is in line with the strategic goal of the Boryspil airport “Integration in the system of leading European transfer flows”. Boryspil is already working at creating the international hub for passengers’ transfers. Addition of logistic hub will create a full image of the company positioning on the market to compete efficiently on the global market.

Desirability of market. Growth rate in Ukraine in 2019 was at 25-30%, however in 2020 the level was slowed down because 2019 was solid in both offline and online. The reason is that incomes of population increased, they started to buy more. In 2018 Ukraine was second by the growth level of e-commerce in Europe. With that Ukraine is one of the latest according to the Internet penetration level in Europe. That is why the market has lots of potential. E-commerce in 2019 accounts for 3.2% of the whole retail in Ukraine. Cargo handling's projected growth is at the level of 6% CAGR by 2025. Passenger transportation decreased by more than 60% after the first coronavirus case. However, the stabilization of economic and health system is expected to normalize in the nearest future which will lead to the recovery.

Nowadays, perishable goods, mail, animals and exotic fish, Ukrainian handmade products and expensive oversized equipment are mainly delivered to/from Ukraine by air.

According to the State Aviation Service (SAS) of Ukraine, the total volume of cargo transportation (excluding mail) through airports in Ukraine in 2019 was at level of 92 thousand tons – it is decrease by 3% compared to 2018. In the overall structure of cargo, the volume of air delivery is minuscule - aircraft transported only about 0.02% of all cargo. Almost all (99.8%) cargo flows are concentrated in 8 airports, namely Boryspil, Zaporozhia, Odesa, Lviv, Kyiv (Zhulyany), Kyiv (Antonov), Kharkiv and Dnipropetrovsk. Boryspil takes 35% of total volume of cargo.

A similar situation is in the comparison of Ukraine with the world volumes of air cargo transportations. According to IATA, in 2019 the volume of cargo transportation by air in the world increased by 9%. And through the 20 largest airports in the world, according to ACI, last year 50.6 million tons (+5.6% year-on-year) of cargo passed through, including 40.2 million tons (+8.2% year-on-year) in the international direction.

Table 3.4

Capacity loading of the airports

Airport	Capacity loading, tons/ Max capacity, 2019	% of loading
Leipzig/Halle	1.2m/1.24m	96%
Cologne/Bonn	799 233/1.3m	61%
Dusseldorf	75 030/100 000	75%
Amsterdam/Schiphol	1.57m/2m	78%

Airport	Capacity loading, tons/ Max capacity, 2019	% of loading
Boryspil	33 450/36 500	91%

Table 3.4 summarizes information on the capacity loading of airports which Boryspil used. Leipzig and Boryspil airports have the highest cargo loading. Both air companies are planning to expand its capacity,

Now the development of air cargo transportation in Ukraine is largely hampered by the lack of modern infrastructure.

The cargo handling seems to be highly relevant, since the cargo handling is not suffered as much as passenger transportation during Covid-19. For example, cargo handling of Airport Kyiv increased by 50% mainly from medical facilities.

Infrastructure improvement. Government Committee approved the Concept of development of the International Airport Boryspil up to 2045, provides for investments of 3.4 billion euros and an increase in passenger traffic to 54 million passengers a year.

In order to achieve the objectives of the concept until 2021, include the reconstruction of the second runway, lengthening the gallery and apron terminal D to the south, the reconstruction of the cargo terminal, the construction of a new office center.

At the second stage (2022-2024): Beginning of the construction of the first stage of the main passenger terminal, connected to the extended gallery of Terminal D; construction of new high-speed taxiways and modernization of the existing taxiways of the first runway; arrangement of new aircraft parking areas; construction of a new cargo terminal and the like.

Phase 3 (2025-2031): Construction of the second stage of the main passenger terminal; relocation of existing emergency stations; arrangement of airline maintenance areas; construction of apron and hangars for aircraft maintenance.

At the following stages (2034-2045): Construction of subsequent stages of the main passenger terminal; expansion of the cargo sector; lengthening of the gallery of the main passenger terminal and expansion of the existing facilities of engineering infrastructure.

For the delivery of goods it is envisaged to build a separate road to the production and technical area on the south side of the airport.

As we can see funding of cargo terminal is present at every stage.

Foreign companies work with Ukrainian airports: the aviation division of DHL, Turkish-Airlines, Silk Way West Airlines, Kalitta Air, Turkish Cargo, ULS Airlines Cargo, CargoAir (Lipzig). The leaders of transportation are Antonov Airlines, MAU, ZetAvia, Maximus Airlines, Ukrainian Helicopters, Ukraine Aeroalliance and Alfa Air. But there is a nuance - the main work of almost all Ukrainian airlines is focused on charter cargo transportation in other countries - they carry goods in the framework of humanitarian and peacekeeping programs of the UN and other customers. There is no demand for air delivery within the country. Of all the airlines listed above, only UIA provides notable volumes of cargo, and only to Boryspil. In the structure of cargo flow of the airport up to 70% of cargo and mail are brought by regular passenger carriers and only 30% - specialized cargo carriers. Now Boryspil, according to various sources, accounts for more than 85% of all air cargo handled at Ukrainian airports.

Desirability of target partner. As a partner for logistic hub, we choose Amazon, and its product Amazon Air, which is the own delivery aviation facility for shipment of goods from the Amazon marketplace. Lockdown had influence people to make purchases online. From the March the sales of Amazon increased by 41%. Cargo facility at Boryspil Airport will create an additional connection within Amazon's fulfillment network in Europe, bringing greater selection and more flexible delivery options at a lower price to Prime member. Amazon will expand its geographical presence in Europe and Ukraine can become that strategic partner.

Desirability of alliance. The strategic partnership will be created on the contractual agreement terms. That is symbiotic collaborations involving organizations serving seemingly unrelated markets.

The logistics structure will be done as depicted on the Fig. 3.4.

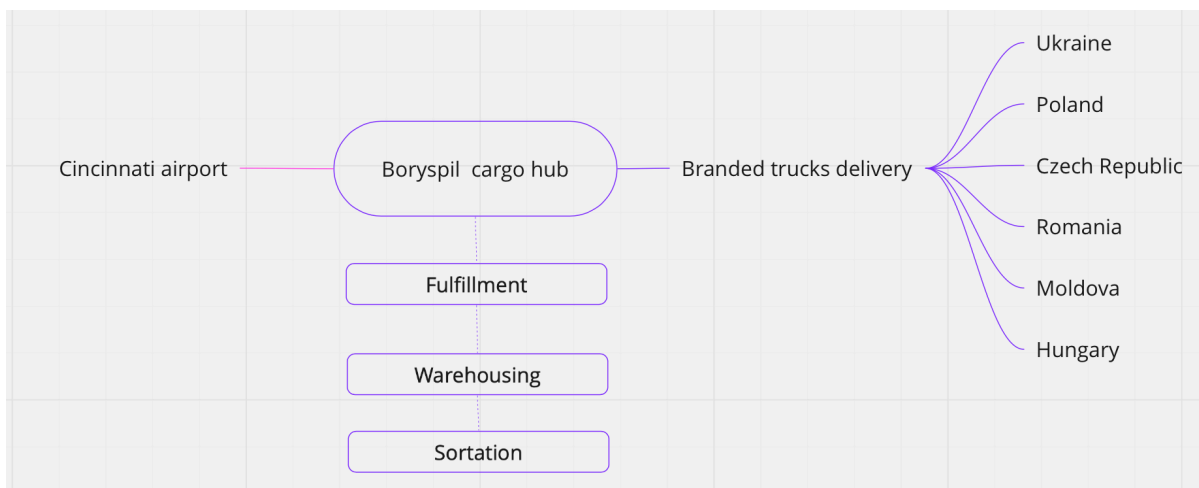


Fig. 3.4 Logistics process within Amazon and Boryspil

Financial impact. Management of Boryspil made projection that with the construction of a modern terminal and the involvement of a specialized investor in it, the airport could reach 120,000-150,000 tons of cargo per year, which is 4.5 times higher than last year's volume of cargo terminal of Boryspil and 1.6 times higher than indicators of all Ukrainian airports.

In US in 2019 monthly Amazon Air delivery, which oriented only at delivery from Amazon Marketplace amounted 100-120 mln lb which is 45-54 thsd tons. That is before Covid-19 period, and sales were not rise due to the increase demand for e-commerce and online-marketplace (Fig. 3.5).

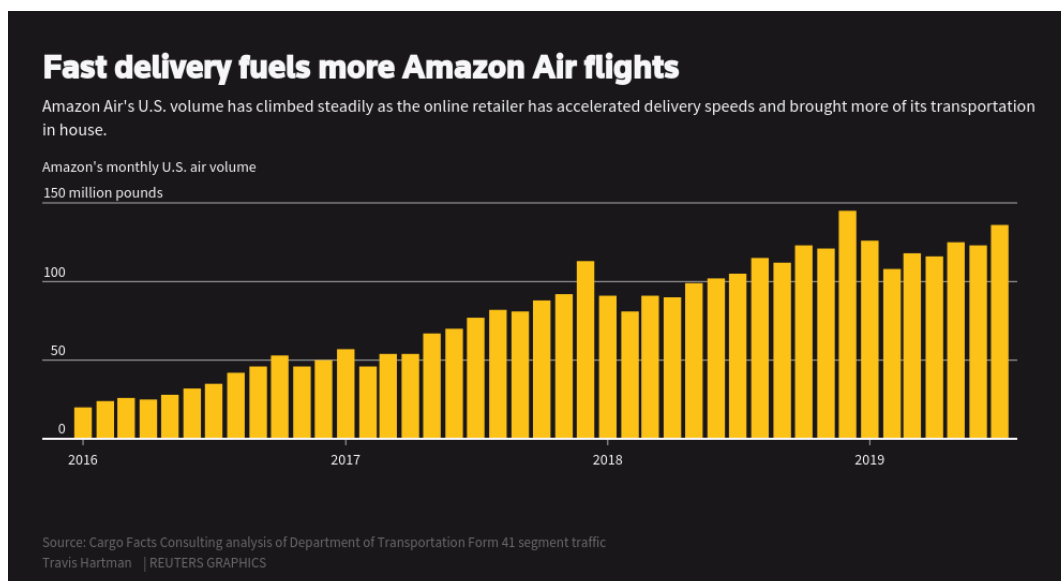


Fig. 3.5. Amazon Air delivery in US

We will project 3 scenarios based on the share of investing into the project of Amazon. The following assumption were made (Table 3.5).

Costs. The total costs for the project (terminal construction) is estimated to be \$16 million (equivalent to 447,706,400.00 UAH, exchange rate is 27.98UAH per 1 USD).

We will project 3 scenarios for this costs allocation and apply them to the base (realistic) scenario for revenue:

1. Boryspil and Amazon invest equal amount of money for the project. That is, each side pays for UAH 223,853.200.00 or \$8 million. Under such condition Amazon would be count as the main partner of aviation logistics hub and it is obliged to load 50% of Boryspil's new terminal cargo capacity (50 thsd tons annually). 50% of capacity can be used by other carriers (50 thsd tons).

2. Amazon invest all money for the project, i.e., 447,706,400.00 UAH or \$16 million. In such case Amazon is obliged to fully load the terminal, only Amazon uses the new cargo terminal.

3. Boryspil invest all money for the project i.e., 447,706,400.00 UAH or \$16 million and Amazon uses only 20% capacity (20 thsd tons of the cargo terminal).

Tariffs are taken from the website of Boryspil and shown in second chapter. Additionally, we will consider the storage facility service once in a half year in the airport as 10% from total annual volume handled storage. Such time frame is chosen as Amazon specialize on the fast delivery within 2-3 days. Storage time is assumed to be 10 days. The starting point will be January 2023, as due to projections new cargo terminal will be constructed will that time.

Table 3.5

Input data for model

Scenarios	Volume
Boryspil - 50%; Amazon - 50%	80 000
Amazon – 100%	100 000
Boryspil – 100%	20 000
Assumptions	
6-month increase in tariffs	4.52%
Storage of total value	10%
Tariffs	
Cargo per consignment shipment (50 kg)	63.8
Storage of consignment shipment (50 kg) up to 10 days	24.2

The financial projection of revenue shows the following results shown in Table 3.6.

Table 3.6

Income projection based on scenarios, thsd

Boryspil - 50%; Amazon - 50%	1H 2023	2H 2023	1H 2024	2H 2024	1H 2025	2H 2025	1H 2026	2H 2026	1H 2027	2H 2027
Volume of Amazon cargo, tons	25	25	25	25	25	25	25	25	25	25
Total Accumulated volume, tons	25	50	75	100	125	150	175	200	225	250
Expected revenue, UAH	31,900	31,900	31,900	31,900	31,900	31,900	31,900	31,900	31,900	31,900
Accumulated revenue, UAH	31,900	63,800	95,700	127,600	159,500	191,400	223,300	255,200	287,100	319,000
Storage revenue, UAH	1,210		1,210		1,210		1,210		1,210	
Total Accumulated revenue, UAH	33,110	96,910	193,820	321,420	482,130	673,530	898,040	1,153,240	1,441,550	1,760,550
Costs	223,853									
Income	-190,743	96,910	193,820	321,420	482,130	673,530	898,040	1,153,240	1,441,550	1,760,550
Accumulated income	-190,743	-93,833	99,987	421,407	903,537	1,577,067	2,475,107	3,628,347	5,069,897	6,830,447

Amazon - 100%	1H 2023	2H 2023	1H 2024	2H 2024	1H 2025	2H 2025	1H 2026	2H 2026	1H 2027	2H 2027
Volume of Amazon cargo, tons	50	50	50	50	50	50	50	50	50	50
Total Accumulated volume, tons	50	100	150	200	250	300	350	400	450	500
Expected revenue, UAH	63,800	63,800	63,800	63,800	63,800	63,800	63,800	63,800	63,800	63,800
Accumulated revenue, UAH	63,800	127,600	191,400	255,200	319,000	382,800	446,600	510,400	574,200	638,000
Storage revenue, UAH	2,420		2,420		2,420		2,420		2,420	
Total Accumulated revenue, UAH	66,220	193,820	387,640	642,840	964,260	1,347,060	1,796,080	2,306,480	2,883,100	3,521,100
Costs	0									
Income	66,220	193,820	387,640	642,840	964,260	1,347,060	1,796,080	2,306,480	2,883,100	3,521,100
Accumulated income	66,220	260,040	647,680	1,290,520	2,254,780	3,601,840	5,397,920	7,704,400	10,587,500	14,108,600

Boryspil - 100%	1H 2023	2H 2023	1H 2024	2H 2024	1H 2025	2H 2025	1H 2026	2H 2026	1H 2027	2H 2027
Volume of Amazon cargo, tons	10	10	10	10	10	10	10	10	10	10
Total Accumulated volume, tons	10	20	30	40	50	60	70	80	90	100
Expected revenue, UAH	12,760	12,760	12,760	12,760	12,760	12,760	12,760	12,760	12,760	12,760
Accumulated revenue, UAH	12,760	25,520	38,280	51,040	63,800	76,560	89,320	102,080	114,840	127,600
Storage revenue, UAH	484		484		484		484		484	
Total Accumulated revenue, UAH	13,244	38,764	77,528	128,568	192,852	269,412	359,216	461,296	576,620	704,220
Costs	447,706									
Income	-434,462	38,764	77,528	128,568	192,852	269,412	359,216	461,296	576,620	704,220
Accumulated income	-434,462	-395,698	-318,170	-189,602	3,250	272,662	631,878	1,093,174	1,669,794	2,374,014

In the first scenario (Boryspil – 50%, Amazon – 50%) break-even point occurs at the first half of the second year of project (1H 2024). Expected income for the 5 years is at the level of UAH 6.8 billion.

Second scenario (Amazon – 100%) implies that there is no need for break-even point as Amazon fully covered the costs. Total income for 5 years is UAH 14.1 billion.

Third scenario (Boryspil – 100%) has break-even point at the first half on the third year of the project (1H 2025). Expected income for the 5 years is at the level of UAH 2.3 billion.

Nevertheless, second scenario results in the highest income, it is rational to choose first one to avoid dependence only one strategic partner. Action which could be taken later on is the expanding of the capacity of the airport through investing of Amazon into it.

Risks considerations

The following risks should be considered while entering the partnership.

1. Impossibility to end up in time with the building of the cargo terminal.
2. Impossibility to manage affectively the loudness of the logistic hub
3. Decrease in demand for products from Amazon due to the end of lockdown and people are back to their previous experience to buy offline.

3.3. Evaluation of the success of the partnership as a strategy for improving foreign economic activity of the State Enterprise “Boryspil International Airport”

The value of a strategic partnership can be quantified using two key indicators: financial and strategic. Financial value is tangible and can consist of revenues, created and increased consumer prices, increased value or frequency of transactions, and cost savings or promotional value.

Strategic value is less quantifiable and can cover concepts such as brand usage, competitive advantage, future value and access to key assets.

This sort of value, while not easily defined, can have a much broader influence on a business than the financial value of a strategic partnership. This is based on the fact that things like gaining competitive advantage, growing market share and projected value already take into account potential financial benefits, as well as other factors such as increased brand influence and recognition, marketability and access to new markets - factors that are all important in getting the business to the next level.

The thing is that partnership with Amazon goes tother with building the ecosystem of partners within the Aviation Logistic Hub. And success of this initiative highly depends on the contribution of each partner and efficient management and planning by the leadership and strategic staff of Boryspil.

Overall, the strategic partnership would be count as successful if the initial financial targets would be met. We projected very conservative model, since the share of cargo aviation in Ukraine is quite small. However, we do believe that creation of Aviation

Logistic hub would be a game changer for Ukrainian cargo aviation. It will create new opportunities for regional airports in Ukraine, as well as for airlines. Boryspil is nicely positioned since for now most of cargo deliveries is performed by Ukraine International Airlines (85% of the market), and since UAI is base airline for Boryspil – that counts to the cargo services of Boryspil.

This partnership with Amazon and other logistics carriers will create a further possibility for growth for both Boryspil Airport and the whole aviation sector wo which Ministry of Transportation of Ukraine finally paid attention.

We expect (1) increase in market share of Boryspil for cargo services, positioning of Boryspil as a leader in the cargo aviation; (2) creation of positive brand name which is cooperate with biggest online retailer Amazon; (3) access to the new markets.

So, the aviation sphere had probably one of the worst times considering impact on travelling, production of aircrafts, durability. However, there is a room to work in the hard circumstances – trough partnership with the most profitable online retailer by creating the way for him how to make profit on other markets.

CONCLUSIONS

On the basis of working out the literature sources on strategic management, we considered the essence of the category “strategy” and “strategic management” of the enterprise.

We discussed the concept of strategy and its evolution in the literature from the corporate planning to strategic management. According to Mintzberd 5P’s strategy composes the following terms – plan, ploy, pattern, position, perspective. Then we discussed why strategy is important and make conclusion that it focuses not only on the most efficient activities of the company, but the prominent tasks which should be taken into account are identified. Following this insight, we further develop the proposition for foreign economic activity in terms of strategic management for Boryspil.

At the beginning of 21st century when digital technologies literally have captured the world, strategic management also was impacted by new principles and practices. The ever-accelerating pace of change in the global marketplace means that strategy is not only about planning, but also about generating future options and encouraging strategic innovation. These changes led to increased awareness of the company's corporate social responsibility practices, ethics and sustainability of the natural environment, which played a crucial role in long-term corporate success.

Then we move to the strategic management structure which was developed by academic researches and used by practicing businessmen over time. Then we gave the comparative information between strategic planning and strategic thinking. According to the concept of planning, the future is predictable and specified in details, instead of thinking which defines only the form of future.

We identified the main strategic phases which lay down into basic financial planning, forecast based planning, externally oriented planning, strategic management.

The dynamic notion of the strategy is related not only to competition on the current market, but also to the groundwork and setting of goals for the future. When deliberating a firm's strategy, the chief difference can be made between the two types of strategy – business and corporate.

Any successful strategy should be focused in the effective implementation, profound understanding of competitive environment, simple, consistent and long-term goals, objective evaluation and allocation of resources.

Then we highlighted that strategic management process consists of 3 stages – formulation, implementation and monitoring. Formulation defines goals and objectives, provide environmental scanning, and gives performance analysis. Implementation is about programs, budget and procedures. And evaluation means monitoring and control of actual result.

Framework for strategic management is built on the four components which are equally important – competitive advantage, corporate strategy and portfolio theory, core competence, experience curve.

Further we described the role of company's resources, routines and processes as the basis of sustained competitive advantage into resource-based view (RBV) and dynamic capabilities (DC). Firstly, the significance of the RBV and DC approaches was briefly mentioned, as well as the main characteristics of these approaches. Secondly, RBV and DC were seen as an important element for achieving sustained competitive advantage (SCA).

To finish with strategic management process, we highlighted the limitation. They are complexity, time-consumption, hard to implement, proper planning.

The last part of the theoretical study is the strategic partnership framework. We built this framework on the RAISE philosophy which means that resilient plus adaptive plus innovative enterprise equals to sustainable enterprise.

The strategic management could be taken as mutually beneficial agreement between two or more organization that do not have a competitive relation between each other in order to develop their offers and decrease costs.

The most common reasons for failure of strategic partnership are the following:

- underinvestment can happen in case of disputes over the distribution of income and expenses, lack of resources, lack of executive funding and commitment, etc;

- over-appropriation through competition, customer ownership challenges, intellectual property rights sharing;

- misalignment (conflicting goals and stimulus, uncertain roles and duties, difficulties in transferring a joint value proposition, expanding internal "scattered" mentality).

The strategic partnership was categorized into three groups – contractual arrangements, equity investments and joint ventures.

Further we described the strategic partnership process. The most advanced companies in the strategic partnership arena design and implement the latest methods of trial and error. Planning, preparation and highly disciplined execution allowed such companies to turn into full managers of strategic partnership. The following six steps were taken as a basis for strategic management process: strategic assessment, partnership planning, partner engagement, partnership execution, partnership governance, termination considerations.

The following part of our research is analysis of financial, economic and competitive position of the Boryspil Airport. In the first subsection we gave the general characteristics of the enterprise, provided analysis of business activity, financial indicators and competitive positioning.

Management team of Boryspil set the following tasks for its activity:

- stimulation of airlines to open new flights;
- cooperation with airlines to increase the transfer of passenger traffic;
- creation of infrastructure for servicing transfer passengers;
- introduction of new services.

We define the organizational structure of the enterprise, define external and internal environment of the organization. Part of the analysis was dedicated to the route network, defined most popular destinations.

We also discussed the passenger traffic. Boryspil International Airport's passenger flow has been demonstrating stable growth as a result of the reforms, optimization of internal processes and implementation of the hub development strategy, since 2015.

Demand for the Airport services is maintained by the beneficial location at the intersection of numerous international transport routes (connecting Asia with Europe and

America), proximity to the capital, availability of the modern infrastructure and introduction of the hub development strategy.

We described in detail the infrastructure of the airport both aviation and not aviation. Boryspil is constantly striving for improvement. The Airport develops infrastructure, attracts new airlines and enhances the quality of service. Boryspil is the only airport of Ukraine, successfully competing with the large European hub airports. According to the Airports Council International (ACI EUROPE), in 2018 Boryspil was ranked first among the large European airports (top spot in the European Airports group, handling from 10 to 25 million passengers). We analyzed capacities of the terminal, parking lots, platforms.

The next part of the analysis was attributed to the cargo handling in the airport. We found that it is in the very bad positioning, since aviation cargo handling is mostly not developed and used at all. However, the infrastructure of the cargo terminal allows cargo and mail handling in accordance with international standards. We discussed the possibility of building the new cargo terminal.

The labor analysis indicates a stable personnel situation at the enterprise, employees' satisfaction with working conditions is rather an exception for state enterprises in the country.

Marketing activity of the enterprise is oriented at the geographical expansion of the routs and creation of the connecting routs for the transfer passengers. To realize the goal, there are a plenty of measures on attracting new carriers to execution flights, development the partnership with core carriers on expanding their routs network and increasing the intensity of flights.

The market share of low-cost carriers at European airports is more than 30% of passenger traffic, while at the same time at Boryspil airport their share does not exceed 3%. Moreover, as can be seen from the analysis, unlike rival airports, the number of low-cost carriers at Boryspil airport is not growing. The main obstacle to this is, as in the case of non-aviation services, the low solvency of the country's population.

Due to the results of market analysis the following is determined. The direct competitors of the Boryspil airport are the East Europe airport (WAW, PRG, BUD). All of them has well-developed routes network and base carrier.

In order to evaluate the financial position of the Boryspil, we managed first of all vertical and horizontal analysis of income statement. Level of financial indicators are on the high level.

The enterprise was negatively impacted by Covid-19 which led to the stop of passenger transfer, and since cargo transfer is not that developed in Ukraine, so it is also not the area for revenue generation.

We devoted subsection to the business activity of Amazon. The reason for analyzing Amazon in the master thesis was due to the suggestion of the partnership strategy between Boryspil and Amazon. We discussed Amazon marketplace and Amazon Air delivery services.

Finally, in the third Chapter, we make strategic choice for further Boryspil development. We prepared the SWOT analysis according to which the main areas for the development are:

1. Partnership and cooperation with air companies to stimulate new directions for flights and support of the existing routes with the aim to increase passenger traffic.
2. Further development of infrastructure to serve increasing quantity of the flights and passengers.
3. Increase the number of events to increase the level of service.
4. Cost reduction strategy implementation.
5. Partnership with commercial company to use airport as a hub.
6. Development of the cargo handling and logistic centre at the Boryspil.

These priorities lay down in the strategic plan of Boryspil, developed in 2015 and improved by the Ministry of Infrastructure of Ukraine.

As the part of the strategy aiming at the development of international hub, we proposed to execute the direction of creation of the aviation logistic centre hub for commercial companies at the basis of Boryspil.

According to the strategic concept the new cargo terminal at Boryspil airport will be positioned in the market as the main air logistics centre of the country, able to compete on the international market and turn Ukraine into a powerful transit centre.

As the part of the strategy of creation the logistic hub it is necessary to construct new cargo terminal to satisfy the potential demand for the air transportation. From 2016 there is a discussion about the building the new cargo terminal at Boryspil. Additional land plots have already been allocated. It is planned to allocate a large territory in the second flight zone for the construction of a powerful center for handling air cargo. Creation of a high-tech European level cargo hub is one of the tasks of the management of the state enterprise.

However due to the lockdown and unclear yet financial budget for 2021, the construction works were suspended. However, the construction of the cargo terminal is in the strategic plan till 2022 tother with building additional parking lot, increasing the capacity of Terminal D.

The main condition for the existence of such a hub is and remains the availability of those willing to do transport operations. Roughly speaking, within the framework of trade with Asian countries, the client - a trading company - must ensure a steady demand for air transportation services, say, at dealerships in the EU. Ukraine acts as a transiter here, reloading goods arriving by air onto motor vehicles. Of course, this model would require a special mode of operation of land customs posts to prevent delays at the border through customs bureaucracy.

There are some advantages to creating a hub airport. The first and most significant is economies of scale. A second advantage of a hub airport is a more efficient distribution of capacity. The third advantage is high revenue.

The following section describes the strategic partnership between Amazon Air and Boryspil International Airport. Creating of aviation logistic hub is correspond to the market development strategy in terms of growth strategy. Amazon Air in the strategy of creation logistics hub on the basis of Boryspil airport would become major customer of the hub.

We concluded that market is quite promising, taking into account that lockdown is still present, but after which more number of companies could be joined.

Further we discussed infrastructure improvements which are approved already by Ministry of Transportation of Ukraine. Before calculating financial impact we described the desirability of target partner.

We obtained projected income for the project; it ranges from UAH 2.3 to UAH 14.1. Nevertheless, one of the scenario results in the highest income, it is rational to choose another one to avoid dependence only one strategic partner. Action which could be taken later on is the expanding of the capacity of the airport through investing of Amazon into it.

The value of a strategic partnership can be quantified using two key indicators: financial and strategic. Financial value is tangible and can consist of revenues, created and increased consumer prices, increased value or frequency of transactions, and cost savings or promotional value. Strategic value is less quantifiable and can cover concepts such as brand usage, competitive advantage, future value and access to key assets.

Overall, the strategic partnership would be count as successful if the initial financial targets would be met. We projected very conservative model, since the share of cargo aviation in Ukraine is quite small. However, we do believe that creation of Aviation Logistic hub would be a game changer for Ukrainian cargo aviation. It will create new opportunities for regional airports in Ukraine, as well as for airlines. Boryspil is nicely positioned since for now most of cargo deliveries is performed by Ukraine International Airlines (85% of the market), and since UAI is base airline for Boryspil – that counts to the cargo services of Boryspil.

We expect (1) increase in market share of Boryspil for cargo services, positioning of Boryspil as a leader in the cargo aviation; (2) creation of positive brand name which is cooperate with biggest online retailer Amazon; (3) access to the new markets.

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APPENDICES

Appendix A

Balance Sheet of Boryspil, 2015-2018

Баланс (звіт про фінансовий стан) 2015-2018					
А К Т И В	Код рядка	2015 рік	2016 рік	2017 рік	2018 рік
I. Необоротні активи					
Нематеріальні активи	1000	1 425 686	1 449 198	1 458 839	1 463 252
первісна вартість	1001	1 442 297	1 468 243	1 482 592	1 488 914
накопичена амортизація	1002	16 611	19 045	23 753	25 662
Незавершені капітальні інвестиції	1005	908 440	958 060	534 460	1 034 122
Основні засоби	1010	5 363 137	5 114 808	5 484 605	5 382 390
первісна вартість	1011	12 430 507	12 469 863	13 157 436	13 417 750
знос	1012	7 067 370	7 355 055	7 672 831	8 035 360
інші фінансові інвестиції	1035	1 993	1 993	1 993	1 993
Довгострокова дебіторська заборгованість	1040	15 029	17 071	19 176	20 990
Відстрочені податкові активи	1045	26 618	51 307	79 333	80 598
Гудвіл	1050				
Відстрочені аквізиційні витрати	1060				
Залишок коштів у централізованих страхових резервних фондах	1065				
Інші необоротні активи	1090				
Усього за розділом I	1095	7 740 903	7 592 437	7 578 406	7 983 345
II. Оборотні активи					
Запаси	1100	112 230	154 635	177 504	188 300
Виробничі запаси	1101	112 039	154 606	177 435	188 300
Незавершене виробництво	1102				
Готова продукція	1103				
Товари	1104	191	29	69	-
Поточні біологічні активи	1110	19	28	7	7
Депозити перестраховання	1115				
Векселі одержані	1120	4 172	4 172	74 172	298 172
Дебіторська заборгованість за продукцію, товари, роботи, послуги	1125	182 132	277 481	322 993	445 650
Дебіторська заборгованість за розрахунками: за виданими авансами	1130	141 077	38 108	81 433	224 619
ДЗ з бюджетом	1135	2 030	100 195	19 411	24 385
ДЗ з податку на прибуток	1136	0	99 256	0	-
Дебіторська заборгованість за розрахунками з нарахованих доходів	1140	6 021	6 983	6 021	13 226
Дебіторська заборгованість за розрахунками із внутрішніх розрахунків	1145	4 137	4 137	4 137	4 137
Інша поточна дебіторська заборгованість	1155	163 155	327 577	173 640	173330
Поточні фінансові інвестиції	1160				
Гроші та їх еквіваленти	1165	668 417	617 800	479 146	457 272
Готівка	1166	3	3	3	146
Рахунки в банках	1167	666 804	616 938	479 143	457 274
Витрати майбутніх періодів	1170	2 265	205	1 316	1 847
Частка перестраховика у страхових резервах	1180				
у тому числі в резервах довгострокових зобов'язань	1181				
резервах збитків або резервах належних виплат	1182				
резервах незароблених премій	1183				
інших страхових резервах	1184				
Інші оборотні активи	1190	6 202	11 976	41 713	76 118
Усього за розділом II	1195	1 291 857	1 543 297	1 381 493	1 907 211
III. Необоротні активи, утримувані для продажу, та групи вибуття					
Баланс	1200	-	-	25	25
		9 032 760	9 135 734	8 959 924	9 890 581

Cont. Appendix A

Пасив	Код рядка	2015 рік	2016 рік	2017 рік	
I. Власний капітал					
Зареєстрований (пайовий) капітал	1400	556 521	556 521	556 521	556 521
Внески до незареєстрованого статутного капіталу	1401	-	-	-	-
Капітал у дооцінках	1405	1 827 959	1 695 347	1 693 575	1 690 246
Додатковий капітал	1410	2 373 682	2 504 049	2 791 422	3 851 919
Емісійний дохід	1411	-	-	-	-
Накопичені курсові різниці	1412	-	-	-	-
Резервний капітал	1415	-	-	-	-
Нерозподілений прибуток (непокритий збиток)	1420	741 701	1 045 383	1 170 511	1 065 222
Неоплачений капітал	1425	(-)	(-)	(-)	-
Вилучений капітал	1430	(-)	(-)	(-)	-
Інші резерви	1435	-	-	-	-
Усього за розділом I	1495	5 499 863	5 801 300	6 212 029	7 163 908
II. Довгострокові зобов'язання і забезпечення					
Відстрочені податкові зобов'язання	1500	-	-	-	-
Пенсійні зобов'язання	1505	-	-	-	-
Довгострокові кредити банків	1510	2 193 319	1 832 495	1 401 897	1 646 839
Інші довгострокові зобов'язання	1515	351 223	250 189	-	-
Довгострокові забезпечення	1520	-	-	-	-
Довгострокові забезпечення витрат персоналу	1521	-	-	-	-
Цільове фінансування	1525	4	4	4	4
Благодійна допомога	1526	-	-	-	-
Страхові резерви	1530	-	-	-	-
у тому числі:	1531	-	-	-	-
резерв збитків або резерв належних виплат	1532	-	-	-	-
резерв незароблених премій	1533	-	-	-	-
інші страхові резерви	1534	-	-	-	-
Інвестиційні контракти	1535	-	-	-	-
Призовий фонд	1540	-	-	-	-
Резерв на виплату джек-поту	1545	-	-	-	-
Усього за розділом II	1595	2 544 546	2 082 688	1 401 901	1 646 843
III. Поточні зобов'язання і забезпечення					
Короткострокові кредити банків	1600	-	-	-	-
Векселі видані	1605	-	-	-	-
Поточна кредиторська заборгованість за довгостроковими зобов'язаннями	1610				184 789
товари, роботи, послуги	1615	313 137	366 229	397 352	
розрахунками з бюджетом	1620	83 789	114 155	104 934	191 055
у тому числі з податку на прибуток	1621	72 538	273 852	350 715	205 511
розрахунками зі страхування	1625	36 321		31 143	8 964
розрахунками з оплати праці	1630	4 073	2 752	5 737	6 596
Поточна кредиторська заборгованість за одержаними авансами	1635	13 219	18 654	31 498	37 899
Поточна кредиторська заборгованість за розрахунками з учасниками	1640	40 083	27 215	31 170	37 410
Поточна кредиторська заборгованість із внутрішніх розрахунків	1645				-
Поточна кредиторська заборгованість за страховою діяльністю	1650	4 143	4 143	4 143	4 143
Поточні забезпечення	1660		20 463	31 078	43 842
Доходи майбутніх періодів	1665	407 405	376 527	345 651	314 782
Відстрочені комісійні доходи від перестраховиків	1670	-	-	-	-
Інші поточні зобов'язання	1690	49 964	47 756	43 716	53 703
Усього за розділом III	1695	988 351	1 251 746	1 345 994	1 079 830
IV. Зобов'язання, пов'язані з необоротними активами, утримуваними для продажу, та групами вибуття	1700	-	-	-	-
V. Чиста вартість активів недержавного пенсійного фонду	1800	-	-	-	-
Баланс	1900	9 032 760	9 135 734	8 959 924	9 890 581

Appendix B

Income Statement for Boryspil, 2015-2018

I. Фінансові результати					
Стаття	Код рядка	2015 рік	2016 рік	2017 рік	2018 рік
Чистий дохід від реалізації продукції (товарів, робіт, послуг)	2000	2 515 943	3 352 792	3 870 048	4 279 226
<i>Чисті зароблені страхові премії</i>	2010	-	-	-	-
<i>премії підписані, валова сума</i>	2011	-	-	-	-
<i>премії, передані у перестраховання</i>	2012	-	-	-	-
<i>зміна резерву незароблених премій, валова сума</i>	2013	-	-	-	-
<i>зміна частки перестраховиків у резерві незароблених премій</i>	2014	-	-	-	-
Собівартість реалізованої продукції (товарів, робіт, послуг)	2050	-946 748	-1 094 049	-1 350 288	-1 751 921
<i>Чисті понесені збитки за страховими виплатами</i>	2070	-	-	-	-
Валовий прибуток	2090	0	2 258 743	2 519 760	2 527 305
збиток	2095	(-)	(-)	(-)	(-)
<i>Дохід (витрати) від зміни у резервах довгострокових зобов'язань</i>	2105	-	-	-	-
<i>Дохід (витрати) від зміни інших страхових резервів</i>	2110	-	-	-	-
<i>зміна інших страхових резервів, валова сума</i>	2111	-	-	-	-
<i>зміна частки перестраховиків в інших страхових резервах</i>	2112	-	-	-	-
Інші операційні доходи	2120	256 312	175 381	151 694	155 536
<i>у тому числі: дохід від зміни вартості активів, які оцінюються за справедливою вартістю</i>	2121	-	-	-	-
<i>дохід від первісного визнання біологічних активів і сільськогосподарської продукції</i>	2122	-	-	-	-
<i>дохід від використання коштів, вивільнених від оподаткування</i>	2123	-	-	-	-
Адміністративні витрати	2130	-54 167	-66 095	-95 627	-136 394
Витрати на збут	2150	-1 400	-1 805	-5 504	-9 223
Інші операційні витрати	2180	-97 642	-228 203	-209 761	-90 490
<i>у тому числі: витрати від зміни вартості активів, які оцінюються за справедливою вартістю</i>	2181	-	-	-	-
<i>витрати від первісного визнання біологічних активів і сільськогосподарської продукції</i>	2182	-	-	-	-
Фінансовий результат від операційної діяльності: прибуток	2190	1 672 298	2 138 021	2 360 562	2 446 724
збиток	2195	(-)	(-)	(-)	(-)
Доход від участі в капіталі	2200	-	-	-	-
Інші фінансові доходи	2220	21 004	1 034	10 787	24 984
Інші доходи	2240	287 611	86 539	64 015	74 185
<i>у тому числі: дохід від благодійної допомоги</i>	2241	-	-	-	-
Фінансові витрати	2250	-401 042	-388 803	-283 270	-241 847
Втрати від участі в капіталі	2255	(-)	(-)	(-)	(-)
Інші витрати	2270	-721 275	-140 052	-37 803	-31 222
<i>Прибуток (збиток) від впливу інфляції на монетарні статті</i>	2275	-	-	-	-
Фінансовий результат до оподаткування: прибуток	2290	858 596	1 696 739	2 114 291	2 272 824
збиток	2295	(-)	(-)	(-)	(-)
Витрати (дохід) з податку на прибуток	2300	-162 136	-310 808	-382 871	-414 904
Прибуток (збиток) від припиненої діяльності після оподаткування	2305	-	-	-	-
Чистий фінансовий результат: прибуток	2350	696 460	1 385 931	1 731 420	1 857 920
збиток	2355	(-)	(-)	(-)	(-)

Cont. Appendix B

II. Сукупний дохід					
Дооцінка (уцінка) необоротних активів	2400	-	-	-	-
Дооцінка (уцінка) фінансових інструментів	2405	-	-	-	-
Накопичені курсові різниці	2410	-	-	-	-
Частка іншого сукупного доходу асоційованих та спільних підприємств	2415	-	-	-	-
Інший сукупний дохід	2445	-	-	-	-
Інший сукупний дохід до оподаткування	2450	-	-	-	-
Податок на прибуток, пов'язаний з іншим сукупним доходом	2455	-	-	-	-
Інший сукупний дохід після оподаткування	2460	-	-	-	-
Сукупний дохід (сума рядків 2350, 2355 та 2460)	2465	696 460	1 385 931	1 731 420	1 857 920
III. Елементи операційних витрат					
Матеріальні затрати	2500	147 972	228 594	232 883	381 448
Витрати на оплату праці	2505	324 470	423 343	578 318	748 059
Відрахування на соціальні заходи	2510	118 753	93 470	125 444	158 677
Амортизація	2515	314 467	309 257	350 675	395 045
Інші операційні витрати	2520	181 585	329 980	370 556	302 757
Разом	2550	1 087 247	1 384 644	1 657 876	1 985 986
IV. Розрахунок показників прибутковості акцій					
Середньорічна кількість простих акцій	2600	-	-	-	-
Скоригована середньорічна кількість простих акцій	2605	-	-	-	-
Чистий прибуток (збиток) на одну просту акцію	2610	-	-	-	-
Скоригований чистий прибуток (збиток) на одну просту акцію	2615	-	-	-	-
Дивіденди на одну просту акцію	2650	-	-	-	-

Financial analysis of Amazon Inc.

Amazon.com - KPI Trends												
(In Millions, unless otherwise noted)												
	1Q18A	2Q18A	3Q18A	4Q18A	1Q19A	2Q19A	3Q19A	4Q19A	1Q20A	2Q20A	3Q20A	
KPIs												
GMV	\$62,178	\$62,700	\$67,076	\$91,914	\$69,664	\$73,340	\$80,874	\$107,825	\$84,597	\$105,933	\$114,192	
YoY Change	23.5%	19.7%	15.2%	17.8%	12.0%	17.0%	20.6%	17.3%	21.4%	44.4%	41.2%	
Unit Sales YoY Growth	22.0%	17.0%	15.0%	14.0%	10.0%	18.0%	22.0%	22.0%	32.0%	57.0%	46.0%	AMZN continues to deliver strong growth... We see 4Q benefiting from increasingly likely second wave of COVID, Prime Day in 4Q, and early start to holiday shopping
Unit Sales 2-year Growth	46.0%	44.0%	40.0%	37.0%	32.0%	35.0%	37.0%	36.0%	42.0%	75.0%	68.0%	
3P as % of Total Units	52.0%	53.0%	53.0%	52.0%	53.0%	54.0%	53.0%	53.0%	52.0%	53.0%	54.0%	
AWS performance backlog growth					74.2%	56.9%	53.9%	54.4%	57.9%	64.9%	59.1%	
Revenue												
Online stores	\$26,939	\$27,165	\$29,061	\$39,822	\$29,498	\$31,053	\$35,039	\$45,657	\$36,652	\$45,896	\$48,350	
YoY Change	18.0%	14.4%	10.1%	12.5%	9.5%	14.3%	20.6%	14.7%	24.3%	47.8%	38.0%	
YoY Change ex-FX	13.0%	12.0%	11.0%	14.0%	12.0%	16.0%	22.0%	15.0%	25.0%	49.0%	37.0%	
Physical stores	\$4,263	\$4,312	\$4,248	\$4,401	\$4,307	\$4,330	\$4,192	\$4,363	\$4,640	\$3,774	\$3,788	
YoY Change	—	—	—	(2.7)%	1.0%	0.4%	(1.3)%	(0.3)%	7.7%	(12.8)%	(9.6)%	
Third-party seller services	\$9,265	\$9,702	\$10,395	\$13,383	\$11,141	\$11,962	\$13,212	\$17,446	\$14,479	\$18,195	\$20,436	3P seller services continue to grow robustly
YoY Change	43.9%	38.8%	31.1%	27.2%	20.2%	23.9%	27.1%	30.4%	30.0%	52.1%	54.7%	
YoY Change ex-FX	39.0%	36.0%	32.0%	28.0%	23.0%	25.0%	28.0%	31.0%	31.0%	53.0%	53.0%	
Subscription services	\$3,102	\$3,408	\$3,698	\$3,959	\$4,342	\$4,676	\$4,957	\$5,235	\$5,556	\$6,018	\$6,572	Despite fears of further decel, AWS growth was flat q/q... our channel checks suggest IT budgets under pressure and deal delays persist, with signs of broader recovery more likely next year, which bodes well for growth in 2021
YoY Change	60.0%	57.4%	51.5%	24.6%	40.0%	37.2%	34.0%	32.2%	28.0%	28.7%	32.6%	
YoY Change ex-FX	56.0%	55.0%	52.0%	26.0%	42.0%	39.0%	35.0%	32.0%	29.0%	30.0%	32.0%	
AWS	\$5,442	\$6,105	\$6,679	\$7,430	\$7,696	\$8,381	\$8,995	\$9,954	\$10,219	\$10,808	\$11,601	Accelerated q/q despite tougher comps primarily on pick up in advertising
YoY Change	48.6%	48.9%	45.7%	45.3%	41.4%	37.3%	34.7%	34.0%	32.8%	29.0%	29.0%	
Q/Q Change	6.4%	12.2%	9.4%	11.2%	3.0%	8.9%	7.3%	10.7%	2.7%	5.8%	7.3%	
Q/Q \$ Change	\$329	\$663	\$574	\$751	\$266	\$485	\$614	\$959	\$265	\$589	\$793	
YoY Change in Q/Q \$ Change	162.9%	51.0%	18.5%	42.0%	(19.1)%	3.3%	7.0%	27.7%	(0.4)%	(14.0)%	29.2%	
Other (mostly advertising)	\$2,031	\$2,194	\$2,495	\$3,388	\$2,716	\$3,002	\$3,586	\$4,782	\$3,906	\$4,221	\$5,398	
YoY Change ex-A/c Change	73.1%	64.4%	55.4%	37.6%	33.7%	36.8%	43.7%	41.1%	43.8%	40.6%	50.5%	
YoY Change ex-FX	132.0%	129.0%	123.0%	97.0%	36.0%	37.0%	45.0%	41.0%	44.0%	41.0%	49.0%	
Net Revenue	\$51,042	\$52,886	\$56,576	\$72,383	\$59,700	\$63,404	\$69,981	\$87,437	\$75,452	\$88,916	\$96,145	
YoY Change	42.9%	39.3%	29.3%	19.7%	17.0%	19.9%	23.7%	20.8%	26.4%	40.2%	37.4%	
YoY Change ex-FX	38.6%	37.3%	29.9%	21.1%	19.1%	21.4%	24.6%	21.0%	27.0%	41.1%	36.4%	
2-Year Stack	65.5%	64.2%	63.1%	57.9%	59.9%	59.2%	53.0%	40.5%	46.3%	63.9%	58.2%	
Revenue by Segment												
North America	\$30,725	\$32,169	\$34,348	\$44,124	\$35,812	\$38,653	\$42,638	\$53,670	\$46,127	\$55,436	\$59,373	
YoY Change	46.4%	43.8%	35.0%	13.3%	16.8%	20.2%	24.1%	21.6%	28.8%	43.6%	39.8%	
International	\$14,875	\$14,612	\$15,549	\$20,829	\$16,192	\$16,370	\$18,348	\$23,813	\$18,106	\$22,668	\$25,171	In 2Q, AMZN incurred over \$4B of COVID-related expenses, getting products to customers and keeping employees safe... while there may be efficiencies in 3Q, AMZN has been aggressively investing in adding new FCs and delivery stations which likely will result in short term deleverage
YoY Change	34.5%	27.2%	13.4%	15.5%	8.9%	12.0%	18.0%	14.3%	18.0%	38.5%	37.2%	
YoY Change ex-FX	21.0%	21.0%	15.0%	19.0%	16.0%	17.3%	21.1%	15.0%	20.2%	41.0%	33.0%	
AWS	\$5,442	\$6,105	\$6,679	\$7,430	\$7,696	\$8,381	\$8,995	\$9,954	\$10,219	\$10,808	\$11,601	
YoY Change	48.6%	48.9%	45.7%	45.3%	41.4%	37.3%	34.7%	34.0%	32.8%	29.0%	29.0%	
GAAP Operating Expenses												
Cost of Sales	\$30,735	\$30,632	\$33,003	\$44,786	\$33,920	\$36,337	\$41,302	\$53,977	\$44,257	\$52,660	\$57,106	
% of Revenue	60.2%	57.9%	58.3%	61.9%	56.8%	57.3%	59.0%	61.7%	58.7%	59.2%	59.4%	
YoY Leverage/(Deleverage)	262	387	464	180	340	61	(68)	14	(133)	(21)	234	
Fulfillment	\$7,792	\$7,932	\$8,275	\$10,028	\$8,601	\$9,271	\$10,167	\$12,192	\$11,531	\$13,806	\$14,705	
% of Revenue	15.3%	15.0%	14.6%	13.9%	14.4%	14.6%	14.5%	13.9%	15.3%	15.5%	15.3%	
YoY Leverage/(Deleverage)	(211)	(141)	5	89	86	38	10	(9)	(66)	(100)	(135)	
Marketing	\$2,699	\$2,901	\$3,303	\$4,911	\$3,664	\$4,291	\$4,752	\$6,172	\$4,828	\$4,345	\$5,434	
% of Revenue	5.3%	5.5%	5.8%	6.8%	6.1%	6.8%	6.8%	7.1%	6.4%	4.9%	5.7%	
YoY Leverage/(Deleverage)	9	39	(17)	(109)	(85)	(128)	(95)	(27)	37	190	141	
Technology and Content	\$6,759	\$7,247	\$7,162	\$7,669	\$7,927	\$9,065	\$9,200	\$9,740	\$9,325	\$10,388	\$10,976	AMZN continues to see marketing leverage... although, said on the call that spend is returning to more normalized levels
% of Revenue	13.2%	13.7%	12.7%	10.6%	13.3%	14.3%	13.1%	11.1%	12.4%	11.7%	11.4%	
YoY Leverage/(Deleverage)	23	92	93	(15)	(4)	(59)	(49)	(54)	194	146	(28)	
General and Administrative	\$1,067	\$1,111	\$1,041	\$1,117	\$1,173	\$1,270	\$1,348	\$1,412	\$1,452	\$1,580	\$1,668	
% of Revenue	2.1%	2.1%	1.8%	1.5%	2.0%	2.0%	1.9%	1.6%	1.9%	1.8%	1.7%	
YoY Leverage/(Deleverage)	14	20	35	18	13	10	(9)	(7)	8	15	(12)	
GAAP Operating Income												
North America	\$1,149	\$1,835	\$2,032	\$2,251	\$2,287	\$1,564	\$1,282	\$1,900	\$1,312	\$2,141	\$2,252	
% of NA Revenue	3.7%	5.7%	5.9%	5.1%	6.4%	4.0%	3.0%	3.5%	2.8%	3.9%	3.8%	
YoY Change (ln bps)	90	376	548	57	265	(166)	(291)	(156)	(120)	86	25	
International	\$(622)	\$(494)	\$(385)	\$(642)	\$(90)	\$(601)	\$(386)	\$(617)	\$(398)	\$345	\$407	
% of Int'l Revenue	(4.2)%	(3.4)%	(2.5)%	(3.1)%	(0.6)%	(3.7)%	(2.1)%	(2.6)%	(2.1)%	1.5%	1.6%	
YoY Change (ln bps)	17	292	435	201	363	(29)	37	49	159	363	421	
AWS	\$1,400	\$1,642	\$2,077	\$2,177	\$2,223	\$2,121	\$2,261	\$2,596	\$3,075	\$3,357	\$3,535	Above the high-end of the \$2-\$5B guide, which included ~\$3B of COVID-related expenses... on the call, AMZN noted that it has also benefited from COVID lockdowns, including ~\$1B in travel expenses
% of AWS Revenue	25.7%	26.9%	31.1%	29.3%	28.9%	25.3%	25.1%	26.1%	30.1%	31.1%	30.9%	
YoY Change (ln bps)	142	465	555	282	318	(139)	(596)	(822)	478	592	439	
Consolidated GAAP Op Income	\$1,927	\$2,983	\$3,724	\$3,786	\$4,420	\$3,084	\$3,157	\$3,879	\$3,989	\$5,843	\$6,194	
% of Consolidated Revenue	3.8%	5.6%	6.6%	5.2%	7.4%	4.9%	4.5%	4.4%	5.3%	6.6%	6.4%	
YoY Change (ln bps)	96	399	579	171	363	(78)	(207)	(79)	42	206	201	
Adjusted EBITDA												
Adjusted EBITDA	\$6,780	\$8,081	\$8,852	\$9,465	\$10,548	\$10,257	\$10,499	\$11,889	\$12,108	\$18,192	\$18,005	
% of Revenue	13.3%	15.3%	15.6%	13.1%	17.7%	16.2%	15.0%	13.6%	16.0%	20.5%	18.7%	
YoY Change (ln bps)	143	364	572	182	439	90	(64)	52	(13)	546	513	
YoY Growth	60.2%	82.9%	103.8%	39.1%	55.6%	26.9%	18.6%	25.6%	18.0%	73.3%	51.4%	Capital intensity increased... primarily driven by investments in fulfillment and logistics footprint to prepare for the 4Q holiday season peak volumes
Capex												
PP&E Acquired under capital leases	\$2,270	\$2,335	\$2,329	\$3,680	\$2,628	\$3,307	\$3,606	\$4,182	\$2,166	\$3,155	\$3,571	
PP&E Acquired under build-to-suit lease	741	795	962	1,143	436	283	390	252	379	482	366	
Purchases of property and equipment	2,727	2,949	2,527	3,119	2,721	2,643	3,385	3,941	5,428	6,615	9,808	
Total Capital Expenditures	\$5,738	\$6,079	\$5,818	\$7,942	\$5,785	\$6,233	\$7,381	\$8,375	\$7,973	\$10,252	\$13,745	
% of Revenue	11.2%	11.5%	10.3%	11.0%	9.7%	9.8%	10.5%	9.6%	10.6%	11.5%	14.3%	