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Telephone: +380667901205

e-mail: orgcom@sworld.com.ua

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J21407-001

Tyushnyakov V.N., Tyushnyakova I.A.
INTERDEPARTMENTAL ELECTRONIC INTERACTION
TECHNOLOGIES IN REGIONAL GOVERNMENT

Southern federal university

Questions of relevance, specifics of application and problem of introduction of regional system of interdepartmental electronic interaction as bases of providing the state and municipal services are considered. Levels of the information exchange which is carried out with use of system of interdepartmental electronic interaction are analysed. Integration of system of interdepartmental interaction into process of work of executive authorities is illustrated. Problems of introduction of regional segments of system of interdepartmental electronic interaction are revealed.

Key words: Regional government; interdepartmental electronic interaction; electronic government; state and municipal services.

The priority purpose of formation of the electronic government is improvement of quality of public administration which is expressed in decrease in temporary, organizational and financial expenses for citizens and the organizations when receiving the state and municipal services, administrative barriers and excess regulation for managing subjects; reduction of the budgetary expenses on activity of executive authorities and increase of efficiency of these expenses, and also increase of transparency of activity of federal and regional authorities [2].

Relevance of introduction of the system of interdepartmental electronic interaction (SIEI) is confirmed by the resolution of the Government of the Russian Federation of September 6, 2012 No. 890 "About measures for improvement of electronic document flow in public authorities". Transition to an exchange of electronic documents at interaction of federal executive authorities among themselves and with the Government of the Russian Federation needs to be finished till December 31, 2017. [1]. Thus each of participants of information exchange has to confirm readiness of the system of electronic document flow for a similar exchange.

In the Rostov region rules of formation and functioning of regional system of interdepartmental electronic interaction are defined by the resolution of the government of the Rostov region of 08.08.2012 No. 730 "About regional system of interdepartmental electronic interaction of the Rostov region" [8].

The Regional System of Interdepartmental Electronic Interaction (RSIEI) – the regional information system including program and technical means which provide interaction of information systems of participants of the information exchange used by providing the state and municipal services in an electronic form [5, 9].

RSIEI contains data on the software providing possibility of access through regional system of electronic interaction to their information systems used by participants of information exchange, data on movement history in RSIEI of electronic messages when providing the state and municipal services in the electronic form, placed on regional portal state and municipal services.

Participants of the information exchange which is carried out with use of RSIEI, act [5]:

- the regional executive authorities (REA) which are carrying out providing the state services with use of information systems of the region, containing the data necessary by providing the state services which operators they are;
- territorial bodies of the federal executive authorities (FEA), the territorial divisions of the state off-budget funds which are carrying out providing the state services with use of information systems of the Russian Federation, containing the data necessary by providing the state services;
- the state and municipal organizations subordinated to public authorities and local governments, located in the region territory who participate in providing the state and municipal services with use of information systems [4, 7].

RSMEV represents the central integration element of infrastructure of the electronic government of the region, hierarchical, territorial the distributed information system realizing the infocommunication environment of providing not only processes of rendering state and municipal in an electronic form, but also solutions of problems of information exchange directly in interests of departments.

Levels of the information exchange which is carried out with use of SIEI, are given in figure 1.

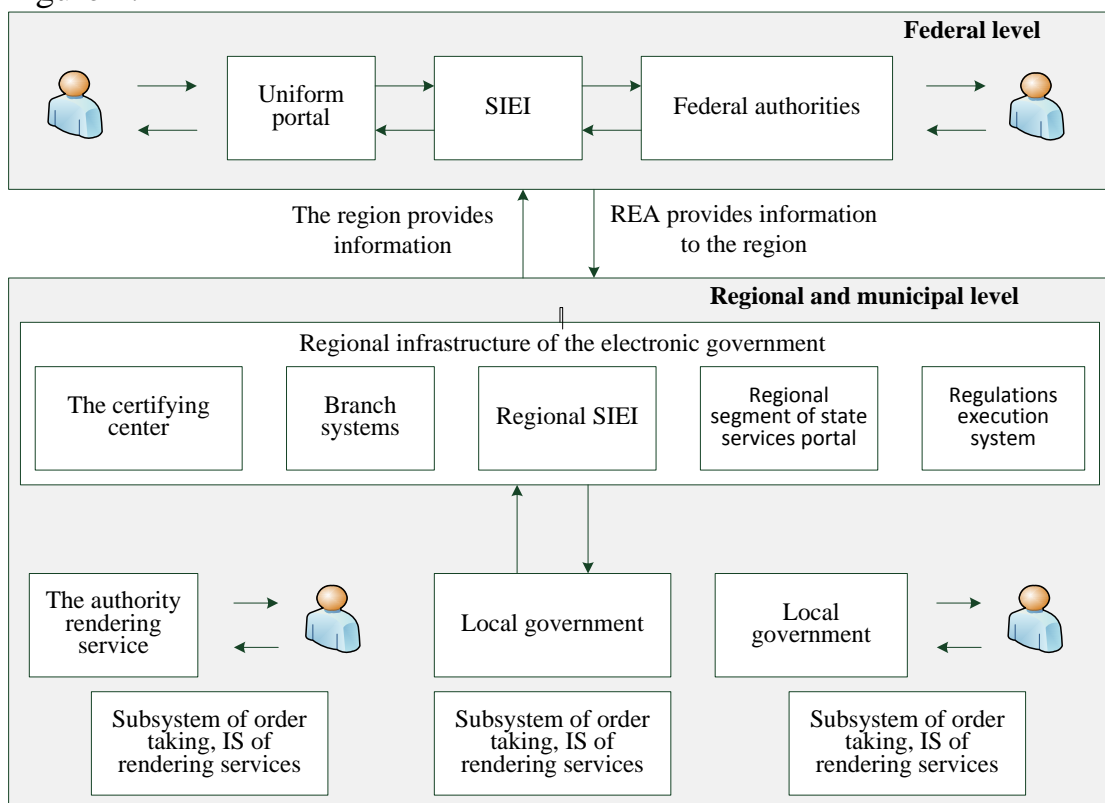


Fig. 1. Levels of the information exchange which is carried out with use of interdepartmental electronic interaction system

At the SIEI conceptual level, acting as an integration element, doesn't reject the concept of automation of business processes. For improvement of activity of FEA and REA systems of electronic document flow are created and take root. These systems realize through process of providing the state service, and the system of

interdepartmental electronic interaction provides participation in this process of earlier untied resources, providing the transport and logical environment for an exchange of the standardized messages between document flow system (system of execution of business processes) and external information resources. Thus to SIEI can be connected both again created information systems, and the existing information systems created on various hardware-software platforms.

The system of execution of regulations is understood as the information system providing formalization, maintaining and execution of electronic regulations of providing the state and municipal services, providing operational planning, control of loading and appointment of contractors, formation of the reporting under carried-out works. Among problems of the organization of electronic interaction and RSIEI introduction first of all it is necessary to specify the following [3, 6]: wrong prioritization of tasks of interdepartmental interaction; untimely reaction to changes of standard and technical regulation in the sphere of interdepartmental interaction; lack of a through control system of changes; absence of responsibility of participants of interaction for functioning of the services and for finishing of information on planned changes.

One more problem is covered that regional segments of RSIEI need not only to be able to transfer data to federal authorities, but also to process the data received from them. Nevertheless, in regions of the Russian Federation there are positive tendencies of development of RSIEI. Now in the Rostov region the first stage of the project on creation of a regional segment of the electronic government that means successful input in trial operation of information system and its technological readiness for connection for uniform system of interdepartmental electronic interaction is complete. Purpose of Rostov RSIEI consists in providing technical infrastructure of rendering the state and municipal services in electronic form.

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Stepanova L.M., Nogovitsyna T.N.

**MARKETING OF INNOVATIONS ON THE EXAMPLE OF THE
SMALL INNOVATIVE ENTERPRISE JSC TEPLOKOMFORT**

North-Eastern federal university named by M.K. Ammosov

Financial-economic institute

Yakutsk, Lenin street 1

Abstract. In this paper are given the results of market research on identification of requirements of use of provided service, namely the independent sanitary block by the small innovative enterprise JSC Teplokomfort. Results of research show that offered service is very actual and there is an essential potential of development in the republic's market. In the conclusion are offered recommendations and ways of introduction on the market.

Key words: innovation, quality and population standard of living, autonomous sanitary block.

Main goal of innovative policy of Republic of Sakha (Yakutia) is increase of a level of quality of life of the population. According to the strategic Document "The Program Social Economic Development of Republic of Sakha (Yakutia) till 2025 and the Main Directions till 2030" as the first direction act innovations for increase of level and quality of life of the population. This direction provides creation of conditions for mass emergence of the new innovative companies in all sectors of economy to provide the maximum employment of the population, to attraction of youth to scientific and innovative activity.

Active introduction of innovative technologies in housing construction, the municipal sphere, transport, health care, education, culture, physical culture and sports, information and communication system, in production of ecologically pure products, in process of providing the state and municipal services and other spheres of activity of the person will be reflected in improvement of quality of life of the population. [1]

In this regard, the system of improvement of the city is one of the major problems. In the northern megalopolis still there are a lot of the shabby wooden houses which don't have elementary functional conditions that affects a sanitary condition of soils of the yards, playgrounds and vacation spots. During the winter period often frost sewer pipes also flow, sewage fills in the yards, pollutes the soil, not up to standard toilet sanitation.

Proceeding from these problems the small innovative enterprise JSC Teplokomfort offers republic's population development of the independent sanitary block with use of technology light steel constructions for North conditions.

For example, in Berlin on the average the quantity of public toilets on 100 000 people exceeds quantity of public toilets Republic of Sakha (Yakutia) practically for 100%. However, average temperature in January in Berlin makes within-3, - 5°C, but in Yakutsk-42, - 45°C. This fact the next time proves that the republic is in great need in development of social infrastructure.

In addition, need of this type of service is caused by that the Republic of Sakha (Yakutia) following the results of 2013 takes the 70th place in a rating of territorial subjects of the Russian Federation on quality of life (if in 2012 I took the 66th place, in 2013 yielded the position). [2]

Statistically in the Republic of Sakha (Yakutia) only 8 cities and 4 villages have the sewerage. In the conditions of Far North the solution of the questions concerning warm autonomous bathrooms, creation and promotion of the program of construction of sewer system are actual. The choice and installation of similar designs for civilized and modern society have the big importance both for convenience, and to observance of purity and other norms concerning an order of purity and implementation of environment protection, and also need of economy of Republic of Sakha (Yakutia) for increase of intensity of innovative appeal of the region.

Advantages of such autonomous sanitary blocks from existing analogs are:

1. Working range is from -55 to +40°C;
2. It is easy in transportation;
3. It can be equipped with heating and ventilation systems;
4. Constructed with use of local materials;
5. The autonomous polyethylene septic tank which about 50 years will serve and isn't exposed to corrosion.

To reveal possibilities of use of provided service was conducted survey among population of Yakutsk. The questionnaire included 5 questions. In total were interrogated 100 people.

Following the results of conducted survey, it is necessary to draw a conclusion that offered service from JSC Teplokomfort differs from other enterprises which work in the sphere of innovations with need and functionality of provided service for conditions of Far North. It means that the population is interested in improvement of quality of life of the population, and also in innovative development of the region. The most important lack of offered service is the high cost which not each consumer will be able to pay.

Also some respondents expressed their own opinions:

1. In order that the population of Republic of Sakha (Yakutia) learned about existence of such company is necessary effective advertizing;
2. To think up other, more convenient standard planning;
3. For pensioners, young families it will be very good to provide credit or discount service.

Because the cost of installation of an autonomous sanitary block rather high (1 autonomous sanitary block costs 600 thousand roubles), we offer the following options of introduction of this service on the market:

1. If the consumer is able to pay independently septic tank cost, it is possible to make by request autonomous septic tanks and to sell them separately;
2. The republic includes 36 municipalities: 34 municipal areas and 2 city districts. In total in the territory of Republic of Sakha (Yakutia) function 691 schools. [3] The majority of schools are located in settlements, but have no sewer network. Accordingly, we offer the cooperation of JSC Teplokomfort with the Ministry of Education of Republic of Sakha (Yakutia) to provide school in settlements with

autonomous sanitary blocks. And further and obstetric points from providing with the Ministry of Health of Republic of Sakha (Yakutia).

Thus it is possible to draw a conclusion that offered service from innovative enterprise JSC Teplokomfort is very actual and the potential of its development in the Republic of Sakha (Yakutia) market is high.

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© Stepanova L.M., Nogovitsyna T.N.

J21407-003**L. Pechenay, E. Shakhova, N. Rykhtikova****FIRM-LEVEL PRICING MECHANISM: A SET OF FUNCTIONS**

*Moscow state University of Economics, statistics and Informatics (MЭСИ),
Moscow state engineering University (MAMI), Krasnogorsk branch of the Russian
Academy of state service under the Government of the Russian Federation*

A firm's pricing mechanism could follow a systemic approach which integrates a number of functions seeking to harmonize prices with external economic factors.

A wide variety of methods and approaches to pricing—found both in economic science and practice—has given rise to a large number of functions affecting price levels. As I.V. Lipsitz appropriately noted, *price is a firm's commercial policy tool, therefore any discussion of pricing methods and rules would only make sense if it is clear what exactly the firm wants to achieve by setting prices for its goods and services* [1, p.32]. The pricing mechanism is largely determined by a combination of functions that depend on the firm's pricing policy in the course of setting up and managing its business. Among modern pricing trends commonly observed in efficient firms, a special emphasis is placed on a systemic approach; it implies that the pricing mechanism is affected by the entire system which comprises both the firm and the market environment, whereas the price serves as the link harmonizing economic relations between the two subsystems.

We believe that the following definition of an economic system is noteworthy: “an emerged, established or current set of principles, rules, and norms which determines the form and substance of economic relations arising in the course of production, distribution, exchange, and consumption of an economic product” [2; p.857].

The state of the pricing mechanism largely depends on the understanding of the cause-and-effect factors underlying the firm's performance in a market setting. All the actions that take place in the system create a certain area of functions which may be considered as primary elements of pricing. A function entails certain actions which affect the subject in question and help achieve the desired objective. Therefore, the pricing function has a certain purpose which matches a given type of activity.

A systemic approach to pricing primarily assumes a division of functions using the following criteria: type of business according to the firm's industry profile, cost level, state of equipment and technology, quality of management, etc. [5]. Since the firm's key area of business is production of goods (works, services) to meet consumer demand, the most critical functions are: output, quality control, technical service, technological standards, and labor discipline. These functions are internal as they integrate the firm's internal elements (raw materials, labor, technology), as well as its organization and management into a single production process [3].

In the course of our study, we have identified a number of functions performed within the pricing mechanism, the most important of which are:

- *production function* which depends on the firm's industry profile and is associated with the use of production factors, such as labor and capital;

- *organizational function* which seeks to improve the organizational framework, as well as the firm's strategic and operational management;
- *information function* which assumes design, implementation and administration of the information system, information exchange, applied software usage, workflow management, and data classification and analysis;
- *coordination function* which serves as a link between research and production and commercial resources across the firm's various business lines and structural units;
- *R&D function* which is needed to design and implement innovations;
- *audit function* which is required to carry out internal audit and identify weaknesses and reserves to improve the firm's performance;
- *legal function* which is associated with a wide variety of legal services, including protection of intellectual property, ensuring proper issuance of documents, and compliance with the legislation;
- *managerial function* which seeks to enhance work performance, and motivate and incentivize personnel;
- *logistical function* which allows to streamline physical and financial flows, as well transportation and warehousing of raw materials and finished products;
- *financial function* which supports administration and accounting, capital investments and investment appraisal, financial and business appraisal, and strategic financial planning;
- *marketing function* which consists of research, market analysis, implementation of sales technologies, product positioning and promotion, attending exhibitions, conferences, and ad campaigns;
- *harmonizing function* which links the firm's industrial and trade policies and allows to quickly respond to market changes;
- *rehabilitation function* which seeks to free (rehabilitate) the market of non-competitive firms and products.

When designing the pricing mechanism, the following should be taken into account: type and profile of production; delivery schedules, production lead time, production seasonality factors, etc. [4; p.136-137].

A study of Russian firms has revealed a number of factors which affect the performance of functions within the pricing mechanism [4; c.138], the most critical of which are:

1. The firm's geographic location which determines the cost parameters (price of inputs, materials, fuel, electricity, wages, transportation costs, etc.).
2. Labor qualification which determines the quality and cost of the functions performed.
3. The extent of the firm's technical/technological sophistication, depreciation of capital stock, which largely affects the quality, duration, and cost of performing certain functions.
4. Capacity to perform certain functions (such as technology).

The use of these functions would help unify the pricing mechanism, where the price serves as an element harmonizing internal (industrial) and external (trade) policies and therefore helps to improve the firm's performance.

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J21407-004

O. I. Pizhuk, O. S. Tymoshchuk

SES COMPANY'S DEVELOPMENT PROSPECTS WITH THE MARGINAL EFFICIENCY OF THE INTEGRATION PROCESSES*National University of State Tax Service of Ukraine*

Annotation. In the article by using the income approach the change of the SES company's value and its competitive position as a result of the integrated growth strategy are defined. Recommendations for geographic directions and extent of further mergers and acquisitions based on the coefficient of the marginal efficiency of integration are reproduced.

Key words: the enterprise management, strategy, merger and acquisition, marginal efficiency, value of the company.

Problem definition. Increasing of global market competition encourages its members to look for new prospects of economic growth all the time. The natural reaction to an excess of free capacities and a large number of market players became the integrated processes of companies. The latter, however, often gain the spontaneous character, and as a result only third of them is successful. In such a way regard, the research of possible directions of integrated strategy's effective implementation in a competitive market is particularly actual.

Analysis of recent research and publications. It is important to note, that investigated subjects are reflected in scientific works of foreign and domestic scientists. The most significant results of theoretical rationale and practice of enterprise's integrated strategy are presented in the works of the following authors: A. Thompson, A. Strickland, K. Bowman, J. Bouer, A. Mazaraki, M. Bosovska, A. Kuzmin, R. Shulyar, B. Shukalovych, Pozhidayev R., R. Bogachev, M. Slynko and other. Despite the considerable attention to this subject, issues of formation and effective implementation of the company's integrated development strategy that is based on the marginal efficiency of integration processes are not described enough.

The purpose of the research. The purpose of the research is a theoretical rationale and formation of practical recommendations for the possible directions of implementation of the company's integrated growth strategy as a mean of gaining of competitive advantages.

The main material research. The integrated growth strategies are basic for any company and aimed at increasing scales of its activity due to the addition of new structures [1]. There are several ways to implement an integrated growth strategy, among which it is important to highlight the establishment of alliances, strategic partnerships, joint enterprises and also mergers and acquisitions [2]. The latter are a relatively new form of expression the competitiveness, generated by fierce competition and based on processes of capital concentration. Their essence is that one of the companies which has specific competitive advantages can achieve synergy by completing a merger or acquisition of other company which has the complementary competitive advantages.

To make the process of mergers and acquisitions without spontaneous character qualified approach to the formation and implementation of the growth integrated strategy is necessary. So, in case if the company provides mergers and acquisitions not for the first time, the diagnostics of their effectiveness are prior, followed by the consideration of alternatives for further strategic development and the formation of the strategic set.

For the purpose of this research we consider that it is necessary to diagnose the effectiveness of implementation of strategies of mergers and acquisitions by SES company, which is one of the largest satellite operators in the global market. In the condition of the fierce competition in the telecommunication's sector formation the implementation of strategy of mergers and acquisitions is a necessity, because the consolidated companies have better opportunities to implement new digital technologies, reduce the costs and as a result – to reduce the prices with simultaneous increase of services reliability in the event of one of the satellites failure.

The process of mergers and acquisitions by SES began in 2000 after the redemption of 50% of the shares of satellite operator «Nordic Satellite AB». Chronology of these integration processes was as follows: in 2006 SES acquired the company «New Skies Satellites», created by its main competitor – satellite operator «Intelsat»; in 2007 100% of GE Americom's shares were purchased from General Electric corporation; in 2010 jointly with satellite operator «YahSat» company «YahLive» was established for DTH-broadcasting to new regional markets. In 2011 SES established a strategic partnership with the Russian satellite operator «Gazprom Space Systems». Also in this year share of the analyzed companies in the satellite system O3b Networks reached 38,79%.

As a result of integration processes mentioned above regional operator SES turned into a global company that is able to provide services on all continents for 99% of world population [3]. Today its market share by total revenue is 21%, which is lower in 2% than the absolute leader – the Intelsat company.

As long as one of the motives of the implementation of mergers and acquisitions is increasing of business value, calculating the difference in company's value before and after the conclusion of such agreements is expedient. Expanding market share of SES through joining the customer base of competitors affected the amounts of its cash flows. That's why we propose to estimate the value of the company based on the income approach, namely using discounted cash flow method (DCF) [4].

Company value at the beginning of 2013 is determined by using assumptions about future changes in component indicators (*tabl. 1*). Historical data indicate that income growth rate varies from 1 to 5% every 3 years. And the largest income growth rate in analyzed period is expected in 2015, the reason of which is commercialization of satellites SES-6, ASTRA 2E, SES-8, ASTRA 5B, ASTRA 2G, SES-9. Operating costs will be reduced to 25% through the integration processes.

The company uses the straight-line method of depreciation that will decrease from €500 mill in 2013 to €350 mill in 2017. Descending depreciation's dynamics is relate to the company's planned reduction of capital costs: €670 mill in 2013 and €450 mill for each following year of the forecast period. Because of the large number

of loans and the issuance of Eurobonds net working capital will be negative, its rate will fluctuate cyclically during the forecast period from €86,3 mill to -€84,1 mill.

Table 1
The calculation of the discounted cash flows for the period 2013-2017 on the basis of the expert's assumptions, €million¹

	2010	2011	2012	2013	2014	2015	2016	2017
Revenue	736	733	828	863	881	975	015	035
- YoY	,0%	0,2%	,5%	,9%	,0%	,0%	,0%	,0%
Operational costs	39,3	58,5	81,4	65,7	70,3	93,9	03,7	08,8
EBITDA	296	275	347	397	411	481	511	526
EBITDA margin	4,7%	3,5%	3,7%	5,0%	5,0%	5,0%	5,0%	5,0%
Depreciation and amortization	99	66,4	56,1	00,0	75,0	50,0	50,0	50,0
EBIT	97	08	91	96	36	032	161	176
EBIT margin	5,9%	6,6%	3,2%	8,1%	9,8%	2,2%	7,6%	7,8%
Tax rate	,293	,296	,296	,296	,296	,296	,296	,300
NOPLAT	63,44	69,38	56,91	31,2	59,4	26,7	18,1	28,7
NOPLAT margin	2,5%	2,9%	0,5%	3,9%	5,1%	6,8%	0,6%	0,7%
Current assets	44,7	39,6	96,3	03,7	03,7	03,7	03,7	03,7
Current liabilities	921	578	983	279	690	141	253	88
Working capital	1276	938	1287	575	986	437	549	284
Capital expenses	04,5	34,5	34	70,0	50,0	50,0	50,0	50,0
Capital expenses in % of sales	6,4%	8,2%	4,7%	6,0%	3,9%	2,8%	2,3%	2,1%
Change in working capital	731,9	37,4	348,4	11,5	411,0	49,3	112,1	65,0
Net investment	426,4	05,5	270,5	81,5	436,0	49,3	12,1	65,0
Free cash flow	89,8	136,1	27,4	250,3	095	77,4	30,2	63,7
WACC	,59%	,71%	,18%	,18%	,18%	,18%	,18%	,18%
Period	-	-	-	1	2	3	4	5
Discount factor	-	-	-	,95	,9	,86	,82	,78
Discounted cash flow	-	-	-	238,0	90,2	52,5	78,3	60,2
Growth rate of terminal cash flow	-	-	-	-	-	-	-	,50%

The highest significance of net working capital will occur at the end of the forecast period, because it is believed that the company gradually will reduce its need

¹Source: Calculated by the author based on materials: [3], [4]

for debt. Forecast of parameters allows to calculate the expected free cash flows (FCF_i) for each year:

$$FCF_i = NOPLAT - \text{Net investments}, \quad (1)$$

where $NOPLAT_i$ is net operating profit after tax of the year.

To calculate discounted cash flow the weighted average cost of capital ($WACC_i$), is taken as a discount factor with using the weight of equity (W_e) and the weight of debts (W_d) in the company structure, the cost of equity (C_e) and the cost of debts (C_d) and tax rate (T):

$$WACC_i = W_e \times C_e + W_d \times C_d \times (1 - T) \quad (2)$$

At the beginning of 2013 the weight of equity capital amounted 66.8%, the weight of debts – 33.2%. The cost of the latter is calculated as the average rate on loans – 5.83%. The cost of equity is calculated so:

$$C_e = R_f - \beta \times P_r, \quad (3)$$

where R_f – risk-free rate; P_r

– country risk premium [4].

Average risk-free rate for 2012 was 0,95%; coefficient β (0,82) is calculated as the mean values among the last 5 years; and risk premium (5,8%) is taken for Luxemburg (the company's headquarters is there). Therefore, the WACC value is obtained at the level of 5.18%.

The fair value of the company is defined as follows:

$$\text{Fair value} = \sum DCF_i + \text{Termanal DCF} - \text{Net debt} \quad (4)$$

However, the question of the value of the company at the beginning of the analyzed period of mergers and acquisitions is still open. Since the financial statement 2006-2009 contains consolidated data, where indicators of integrated companies are already included, it is expedient to set assumption again about what cash flows would be, if the company had not begun the processes of mergers and acquisitions. That's why we assume that the amount of income in 2005-2009 would be increased by an annual average rate of growth – 2.07% starting with the indicator of 2005 – €1258,0 mill, and $WACC_i$ rates are diversified by years.

As a result, the company's value at the beginning of 2005 would be € 841.32 mill. Increase in value as a result of the integration process in 2006-2012 is:

$$E_{\text{Fair value}} = \frac{\Delta \text{Fair value}}{\text{Fair value}_{2005}} = \frac{11397,16 - 8841,32}{8841,32} = \frac{2555,84}{8841,32} = 0,29 \text{ or } 29\%$$

Through mergers and acquisitions SES company not only eliminates the competitors, subordinating them to itself, but also reduces internal costs using the economies of scale: by increasing the number of satellites company is able to conclude a larger number of contracts and thus to provide a wider range of consumers, conduct joint marketing policy, reducing the fixed costs of a conventional unit of service.

Nevertheless, too bulky size of the company can lead to the opposite value of scale: costs may increase as a result of complications of company management,

increasing the number of administrative staff and because of the spending on transport and communication between units, situated around the world. Therefore, it is necessary to determine the index of the marginal revenue of integration processes, which can be represented as the ratio of gross revenue and gross costs of the company:

$$IR_i = \left[\frac{GR_i - GR_0}{N_i - N_0} \right] : \left[\frac{GC_i - GC_0}{N_i - N_0} \right], \quad (5)$$

where IR_i – the index of the marginal revenue of integration processes;
 GR_i, GR_0 – gross revenue according after and before the integration;
 GC_i, GC_0 – gross costs according after and before the integration;
 N_i, N_0 – the number of enterprises after and before the integration [6].

If the result is greater than one, it means that marginal revenue exceeds marginal costs and integration processes are effective at this stage. If the result is less than one, it means that marginal revenue is lower than marginal costs, that's why the continuation of the company's activity in such complement is inefficient.

Calculation of the index of the marginal revenue of SES' integration processes is represented in the tabl. 2, where indicators of 2005 are taken as the base of comparison. According this estimate, the index of the marginal revenue of integration processes since 2006 to 2008 decreased from 1,1754 to 1,0440, what is a natural change of this index with the same number of enterprises, incorporated to main company. In 2009, when the number of enterprises has increased by another one, the index of the marginal revenue of SES' integration increased to 1,2324, what is explained first of all by almost invariable amount of gross costs. Within the next years this index decreased to 1,0074 in 2012, the reason of which is faster growth rates of gross revenue than gross costs the growth rate throughout 2010-2012.

Table 2

**Calculation of the index of the marginal revenue
of SES' integration processes²**

	2005	2006	2007	2008	2009	2010	2011	2012
Gross revenue	1258,0	1615,2	1610,7	1630,3	1701,6	1735,7	1733,1	1828,0
Gross costs	886,2	1190,1	1207	1242,8	1246,2	1343,2	1349,8	1452,0
Number of enterprises	5	6	6	6	7	8	9	9
Marginal revenue	–	357,2	352,7	372,3	221,8	159,2	118,8	142,5
Marginal costs	–	303,9	320,8	356,6	180,0	152,3	115,9	141,5
The index of marginal revenue of integration	–	1,1754	1,0994	1,0440	1,2324	1,0453	1,0248	1,0074

According to the table, the optimal quantity of integrated enterprises in the complement of SES is 9, because in this case the index of the marginal revenue of company's integration is maximally approaching to one.

That's why SES must carefully approach to the selection of probable variants of further integrated growth strategy's implementation. So, European and American markets of satellite services are developed enough, because the population of these

² Source: Calculated by the author based on materials: [3], [6]

regions has been using such services for a long time and first satellite companies have appeared namely there. In a number of countries analog television is completely replaced by digital (figure 1). That's why the potential consumers base among the householders is almost exhausted there: supply of services often exceeds the demand for them.

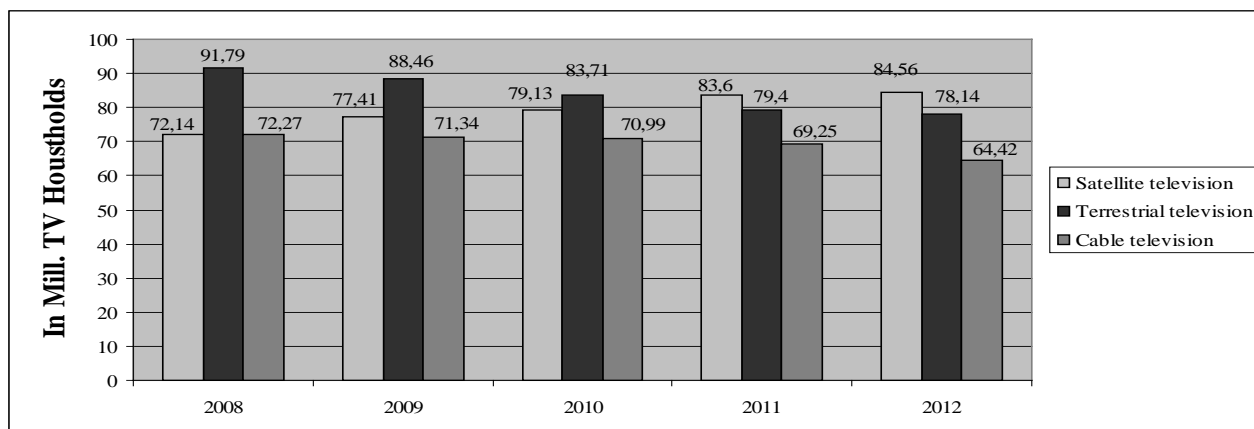


Figure 1. Number of European householders dynamics by used types of television³

It stimulates the diversification of services, which is becoming the key term to attract new customers. A striking example of it is that in conditions of limited growth of budgets USA and NATO governments and military structures more often use the resources of commercial satellite operators, which are much cheaper than specialized military systems. According to this reason SES' company created separate department in work with military customers, total sales of which in 2010 reached 8% of company's total revenue. Also it is important to note that in 2012 USA government brought nearly 10% of SES' total revenue [3].

The saturating of “old” markets by services of satellite television led to the increase of availability of those regions, where the analog television will turn off the next few years: in 2015 – in Ukraine and Belarus, in 2016 – in Brazil, to 2017 – in Russia, to 2020 – in China, in 2022 – in Mexico, where free market niche will appear, which analyzed company will be able to fill [5].

However, the risk of doing business in regions of Latin America and Africa is unevenness of effective demand, where the large part of population lives below the poverty line, and signal reception means are concentrated in the biggest cities. Fixed starting value of the satellite makes SES to be sensitive to the number of subscribers. This risk is especially noticeable in the early stages of penetration into new markets when the number of customers is relatively small.

In comparison with SES company, operators of East Europe are late in the ramp orbital fleet. But in this region the main risk of introduction of satellite services is a fraud of TV companies, which violate the rights on content: with free access to the signal content can be distributed in the territory, not provided by agreement with satellite operator. The danger is that tens of new satellite operators are going to enter the regional markets of Asia, East Europe, Latin America and Africa by 2020, each of

³ Source: [3]

them will launch their own satellites, so competition in the industry will increase. That's why it is necessary to enter into agreements of mergers and acquisitions namely with such young companies that feel oneself quite uncertainly in the market.

To make market position stronger in the countries of East Europe, it is desirable first of all create the mass satellite platform, i.e. the middle segment of the market for satellite television [5]. Since the analogue television broadcasting is discontinued, the householders of this region must be provided with satellite television broadcasting for mid-market tariffs. That's why at a competitive level for such a strategic business unit of SES as satellite television in East Europe region it is recommended to apply the strategy of optimal costs due to of which the costs will be decreasing until the quality of services becomes significantly worse.

At a competitive level for West European and American countries it is more appropriate to apply the strategy of focused differentiation, because the competition between satellite operators in these regions is the fiercest, and population, the incomes of which, is higher than incomes of East European population, agrees to pay higher price for that additional benefits of services, which other satellite companies cannot offer.

Conclusion. Synergistic effect of merger and acquisition of SES due 2006-2012 has positive value in view of growth of the fair value in 29%. But if trend of marginal revenue decreases and marginal costs growth remains next years, then SES must carefully approach to choose the variants of mergers and acquisitions, forecasting as accurately as possible the amount of revenue and costs it could lead. Integration processes of coming years must not be as intensive as operations of mergers and acquisitions of analyzed period, because the index of the marginal revenue of integration is only slightly greater than one and consequently the threat of negative scale effect is possible. That's why it is desirable to balance the SES' processes of mergers and acquisitions of regional operators on emerging markets with the creation of strategic partnerships with telecommunication companies and media on the "old markets" to achieve in this way the additional competitive advantages.

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