

FINANCE, INSURANCE AND STOCK
EXCHANGE: MODERNIZATION OF THE CORPORATE PORTFOLIO

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**ASSESSMENT OF FINANCIAL
AND ECONOMIC PERFORMANCE OF ENTERPRISES
USING THE EXAMPLE OF NOVA POSHTA LLC**

The service industry includes numerous business segments, some of which have been successfully developing in the franchising format (travel services, sports chains). Some of them does not have this format while others are at the stage of the rapid growth of franchising chains. Logistics and express delivery services are referred to the latter category. Ukrposhta, Ukraine's national post, was the key operator on the local delivery market until the 2000s. However, due to the development of technology, increase in commodity turnover and its expansion, commercial operators started entering the market.

Nova Poshta Limited Liability Company is one of the best-known franchising chains currently operating on the Ukrainian express delivery market.

Nova Poshta LLC provides a comprehensive solution for entrepreneurs regarding the organization of product delivery to consumers and different options of delivery for individual customers.

The company offers its franchisees more than 30% of the aggregate income, the pay-off period of 6 months and the launch of a ready-made business in 2 weeks. Besides, it provides franchisees with information and technical support. Franchisees should ensure: the

start-up budget, premises for branch operations, a vehicle to ship goods, office equipment, as well as maintenance of branch operations.

Comparing parameters of different cargo delivery franchising chains operating in Ukraine, we can see that companies follow similar schemes. The capital investment is within the same scope, as franchisees should provide premises (their own or rented that meet company's requirements), a vehicle (their own or rented), equipment for branch and staff operations. It means that the amount of capital investment in this case depends only on franchisee's requirements for premises and the vehicle. Delivery requirements of given franchises are unknown while Meest Express requires at least 30 sq.m., In-time – at least 50 sq.m., Nova Poshta – at least 10 sq.m. All investigated

franchises do not impose monthly charges, as delivery services consider a franchising chain as the expansion of their delivery territory and their extra profit, although In-time requires the entry fee. Well,

franchising courier delivery offers presented on the market have similar parameters. However, Nova Poshta features a more branched chain of divisions, ensuring chain's greater commodity turnover and reducing expenses for cargo transportation to the nearest distribution center. It has less requirements for the size of premises, which reduces capital investments. Nova Poshta is a more popular brand, but it does not require the entry fee.

The conducted analysis over the past 8 years proved that the amount of shipments grew from 4 million in 2012 to 175 million in 2020. Relative indicators grew by more than 100% during the first three years, then relative indicators began to decrease, although they kept increasing by more than 20% annually. So, the amount of shipments became permanent.

Analyzing Nova Poshta's profit performance, we have found out one of the problems of franchising development in Ukraine, namely franchiser's insufficient highlighting of its operating results. The legal form of Nova Poshta allows entrepreneurs not to provide publicly available financial reports. Therefore, franchisees cannot correctly assess franchiser's activities and the efficiency of acquiring such a franchise.

One of the reasons for the significant advancement of the Nova Poshta chain is the constant improvement of its services, their quality, and management of customer enquiries. The report on Nova Poshta's operations showed the following quality indicators in 2020: 99.9% of undamaged parcels, 98,2% of promptly delivered parcels, less than 2 days to resolve customer enquiries [1]. As of the beginning of 2021, according to the official website, quality indicators are as follows: undamaged cargo, prompt delivery to the branch, to the address, cargo taken on time, satisfaction with the service, readiness to recommend.

Nova Poshta can boast higher performance of prompt cargo delivery to the address and to the branch, less performance of service satisfaction and readiness to recommend. Performance of undamaged and zero-loss cargo among companies is almost the same. Such a significant difference in performance can be related to different corporate culture, staff motivation, company's goals. For example, Nova Poshta staff aims to increase the number of shipments and enhance performance, which results in higher indicators, but we can see customers' dissatisfaction with the level of communication and poor readiness to recommend. Delivery Company has the opposite situation. Besides, Nova Poshta's cargo fees are much higher than Delivery's: the difference is 10–20 UAH for cargo of up to 30 kg, although Nova Poshta's transportation of oversize loads is much higher. Therefore, senders of large cargo prefer other delivery services.

According to 2020's data, indicators of the Nova Poshta franchising chain keep growing, leaving few towns where one can establish a branch using the Nova Poshta franchise. That is why the chain develops other areas apart from increasing the number of branches in the territory of Ukraine. The company keeps improving its service, developing new technological solutions to simplify the provision of services, adopting new services and expanding the chain abroad. Since 2016, the company has been advancing according to the Sustainable Development Strategy. Its competitive advantage over other delivery services is a wide network of branches: it is convenient

to customers when a delivery branch is near home or job, and it allows reducing expenses for cargo delivery [2; 3].

Well, in general, Ukraine's franchising market has positive dynamics and keeps advancing. Since 2001, the start of institutional development of the franchising industry, till 2021, the market has been gradually increasing the amount of franchising facilities on a general scale, as the number of franchisers has decreased within the studied period. The market slumped during the 2008's global crisis and Ukraine's crisis phenomena in 2014. After these crises, the market began to recover and grow. According to some experts, we can even see a new development stage of the franchising market, namely its evolvement in both quantitative and qualitative terms.

The analysis of the market structure within a particular field allows us to conclude that the retail sector has the smallest share of franchising chains and the catering industry has the biggest share of them. The service sector is most ambiguous, as it is quite difficult to define certain regularities there. However, if developing the statement about the availability of areas that have not yet applied the franchising model of business operations, the service sector has the largest number of such areas. Besides, this sector has a lot of areas where the franchising model of business operations is actively used. Such areas include logistics and delivery shipments.

Analyzing franchising offers on the delivery market in Ukraine and Nova Poshta, the largest operator on this market, we can define the differences in the structure of franchising offers and the profitability of acquiring Nova Poshta's franchise. Most companies do not require entry and monthly fees in this segment, as the development using franchising allows them to increase territories of delivery and, as a result, increase the number of shipments in the whole chain.

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