

## **INTER-COMPANY COOPERATION AS A FORM OF INDIRECT SALES CHANNEL IN THE FOREIGN MARKET ON THE EXAMPLE OF MACHINE- BUILDING ENTERPRISE**

There are many alternative distribution channels to choose from and the conditions may vary from different companies and markets. Furthermore, the choice of distribution channel is often complex and expensive if changing it subsequently. Therefore, it is central that the decision is given the attention and acknowledgement which is called for due to the fact that it has such a long-term outcome of the export investment's success.

The process of distribution of the machine-building enterprise production is connected with a problem of interaction of the producer and the consumer. Overall, the efficiency of the enterprise depends on a choice of a form of distribution.

The main factors that influence the decision-making in this sphere are:

- type of production;
- the geographical location of the consumer;
- opportunity to enter the market.

Today there is a tendency of using machine-building enterprises simple schemes of distribution.

For example, we will consider the features of distribution of machine-building production of Ltd "Dnipropetrovs'k Drilling Equipment Plant". Ltd "DDEP" sells its production both on internal and on external markets for the extractive industry enterprises – mining, oil and gas extraction and prospecting.

The feature of this production is that the appropriate kind of the drilling tool is used for a certain type of drilling and drilling equipment. Therefore for each branch of an extractive industry various types of the equipment which differ by the type, function, climatic conditions and conditional depth of drilling are used.

In this case, Ltd "DDEP" uses several forms of distribution depending on the features of the geographical area of sale. It gives the company advantages in maneuverability, i.e. helps to react on changing of market environment quickly.

In its activities Ltd "DDEP" uses two main types of distribution channels:

- direct;
- indirect.

Geographical concentration of customers in the internal market promotes the use of direct distribution channels. This form allows controlling the marketing environment and creating close cooperation with the customer. Also it allows controlling process of using the drilling tools and providing service support.

Ltd "DDEP" uses direct distribution channels in foreign markets of the post-Soviet countries, such as Russia, Kazakhstan, Belarus, because, firstly, in the mining industry of these countries used the same type of drilling equipment for which it is

necessary to apply an appropriate drilling tool, which Ltd “DDEP” makes at rather low prices. And, secondly, there is a stable inter-company cooperation that has developed since the USSR.

Ltd “DDEP” uses indirect distribution channel on the external market through inter-company cooperation.

Between Vietnam and the USSR there have been close economic relations since 1955 when about 300 enterprises in such industries as mining, machine-building, etc. were constructed in Vietnam. The most successful directions of economic cooperation — oil production and others. Therefore the most part of the equipment which serves these industries was bought in the USSR.

Ltd “DDEP” has been cooperating with “Belaz Vietnam” since 2009. “Belaz Vietnam” is a service company that is engaged in supplying machinery and equipment for the mining industry of Vietnam. It professionally understands market conditions of drilling equipment that considerably influences the successful sale of the drilling tool.

For Ltd “DDEP” cooperation with “Belaz Vietnam” allows to pass tariff barriers of an entry into the market of Vietnam with no direct capital investments. Speed of the entry to geographically remote market of Vietnam is rather high.

At the same time, there are risks due to the lack of the desired level of management and control systems (enterprise loses direct contact with the market) that is partially overcome by fixing conditions of partnership by the contract.

Inter-company cooperation allows “Belaz Vietnam” to sell the drilling equipment to the mining industry enterprises with the drilling tool, provide service support and also to expand a market of its production by expanding their assortment.

Cooperation allows companies to collaborate with other firms at the external market in order to achieve specific goals, while remaining its independence organizations. Cooperation is often aimed at achieving synergetic effect due to joint efforts.