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Bardokina Yulia

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Scientific Advisor:

Senior Lecturer,

Department of Strategic and

International Management

Candidate of Science(Economics)

Karina A. Bogatyreva

Saint Petersburg

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INTRODUCTION	3
CHAPTER 1. INTERNAL ANALYSIS AND EVALUATION OF INTERNATIONALIZATION POTENTIAL	5
1.1 CURRENT BUSINESS MODEL	6
1.2 POTENTIAL SCENARIOS FOR FURTHER DEVELOPMENT	11
1.3 INTERNAL POTENTIAL	15
1.4 CONCLUSION TO CHAPTER 1	22
CHAPTER 2 ANALYSIS OF THE INTERNATIONAL MARKET	23
2.1 INTERNATIONAL MARKET DESCRIPTION	23
2.2 PESTLE ANALYSIS	28
POLITICAL FACTORS	29
ECONOMIC FACTORS	32
SOCIAL FACTORS	37
TECHNOLOGICAL FACTORS	40
LEGAL FACTORS	42
2.3 PORTER'S 5 FORCES ANALYSIS	42
FORCE 1. COMPETITIVE RIVALRY	43
FORCE 2. THREAT OF NEW ENTRY	44
FORCE 3. THREAT OF SUBSTITUTES	45
FORCE 4. MARKET POWER OF SUPPLIER	46
FORCE 5. MARKET POWER OF CUSTOMERS	47
2.4 CONCLUSION TO THE CHAPTER 2	49
CHAPTER 3. STRATEGY OF INTERNATIONALIZATION	51
3.1 ENTRY MODE SELECTION	51
3.2 BUSINESS MODEL ADAPTATION	55
3.3 MARKETING PLAN	57
3.4 FINANCIAL PLAN	61

3.4.1. Operations costs	62
3.4.2. Costs of office renovation and furnishing	63
3.4.3. Legal form and taxes	64
3.4.5. Revenue estimations	65
CONCLUSION	67
REFERENCE LIST	70

INTRODUCTION

LLC TransService is a transport company, which operates on the oil and gas market, in the oil and gas services segment. The company provides such services as freight transport services, Provision of lifting mechanisms and so on. The company operates in the B2B segment and provides services for government orders in oil and gas extraction fields in different regions of Russia. As the company has been operating in Russia for almost 20 years, and during that time period it was able to prove itself and become №1 company in the Tomsk region and one of the leading companies in the Russian market. However, given the current geopolitical situation, the company bewares that the demand for their services may decrease, therefore TransService seeks for opportunities to develop business in current conditions, which also implies international expansion to another market. Nevertheless, due to the lack of international experience and insufficient international market knowledge the decision on the internationalization of TransService is hard to realize. This project is devoted to help TransService with the company development in the new market and provide important insights and recommendations.

This diploma thesis is a consulting project. The goal of that project is to develop a set of recommendations for TransService regarding the strategy of the company's foreign market entry.

In order to achieve the goal of the projects, the following tasks were set:

- To define and organize the company's business model for later examination.
- To identify possible ways for business development
- To assess the domestic ability for expansion abroad
- To analyze the international market in term of opportunities for new entrants
- To assess possible entry mode and choose the most appropriate one
- To adapt company's business model to the new market for successful market entry
- To conduct a number of recommendations regarding the positioning on the new market
- To evaluate the project in terms of viability

The object of this thesis is the company TransService LLC, the subject of the research is the strategy of entering a foreign market for the company. Conforming to the goal of the project, the following tools were used for the analysis and the foreign market entry strategy:

- PESTLE analysis
- Porter's 5 forces analysis
- Business model canvas (Lean canvas)

This bachelor thesis consists of 3 chapters. The first chapter is devoted to the description of TransService LLC, internal analysis of the company, its readiness and potential for foreign expansion. The second chapter is focused on analyzing the international market in terms of opportunity to expand to. The final chapter, which is the third one, is dedicated to formulating the entry strategy for TransService and evaluating the project.

This work was written using a variety of sources, both Russian and international ones. Secondary sources, such as statistical data, mass media publications, oil and gas market research and primary data, namely unstructured interview with the CEO of TransService Vitaly Zenkin were used to obtain information. Aside from that, theoretical resources about international expansion were utilized.

CHAPTER 1. INTERNAL ANALYSIS AND EVALUATION OF INTERNATIONALIZATION POTENTIAL

The first chapter of the Bachelor thesis will be focused on the internal analysis of TransService and its potential for international expansion. This chapter is going to include the following sub-chapters: current business model, where the business model of the company is going to be described in more detail, potential scenarios for further development, where possible ways of developing the company are described and internal potential, where the question about whether the company capable of international expansion is disclosed.

This chapter is crucial for having a general understanding of the company, its core competences and activity. It allows us to research the company and its market more deeply and in addition be more accurate while proceeding to the further steps of choosing the right market for expansion abroad and analyzing the external environment for the company.

General overview of the company

Before we start working on the project, it is essential to have an understanding of what company we are dealing with, therefore the general overview of TransService was added prior to the main body of the chapter.

LLC TransService is a transportation company that is so far presented only in Tomsk, Russia. The company has a long history and has operated since 2002. The company was founded by two cousins passionate about transport and everything that is related to that topic. TransService was established with only one Kamaz and now it is the №1 transportation company in the Tomsk region. LLC TransService works in the oil and gas services market and partners with big Russian companies, such as Gazpromneft-Vostok, Rosneft, etc.

The main office is located in Tomsk, while the company operates in different fields of oil and gas extraction. The most recent expansion of the company happened in 2014 when TransService started working at the Novoportovskoye oil and gas condensate field to provide transport services with specialized and oilfield equipment. Also the company intends to expand the geography to Khanty-Mansi Autonomous Okrug.

The company operates primarily in the B2B segment and provides services for government orders in oil and gas extraction fields in different regions of Russia. TransService's biggest clients are companies such as Gazpromneft and RN-Service.

The first stages of the company's development largely coincide with the period of formation of the Russian market economy in the 2000s. At present, TransService can be classified as the largest service companies providing technological transport services at remote fields of the Tomsk Region. Having proven itself from the best side in the Siberian Federal District, in 2014 the TransService company expanded its production horizons to the Yamalo-Nenets Autonomous District, starting to provide transport services at the new frontiers of the Arctic.

Services of the company include services by infield technological transport, freight transport services, services by passenger and cargo-passenger transport, provision of lifting mechanisms, execution of construction work and special industrial ecology services.

1.1 CURRENT BUSINESS MODEL

Before we start developing an entry strategy for TransService, it is vital to explore the current business model of the company as it is possible that when the company expands, it faces a foreign environment impact on the business model and not only on operations. As a result, when a firm expands internationally, it is critical to identify areas of potential transformation for the company by analyzing its business model.

Typically when it comes to assessing a business model of an organization, experts use a tool called Business Model Canvas, which was invented by Alexander Osterwalder. [43] Business Model Canvas includes 9 main blocks and each of them describe a particular part of the business process of the company. These blocks are customer segments, value proposition, revenue streams, channels, customer relationships, key activities, key resources, key partners and the costs structure block.

Nonetheless, another concept exists, which is slightly different from the original Business Model Canvas. It is called Lean Canvas and designed for assisting entrepreneurs in assessing important challenges and solutions in their businesses.

While analyzing the business model of TransService, Lean Canvas was used, as it best represents the structure of the business model of TransService. Firstly, it focuses on precisely identifying issues and solutions. Second, the unfair advantage block emphasizes the company's distinct value in comparison to other firms. Third, the Lean Canvas structure is simple to understand.

The results of the TransService business model analysis with the help of Lean Canvas can be found below.

Table 1: Business model of TransService LLC

Problems	Solutions	Unique value proposition	Unfair advantage	Customer segments
Client are looking for companies who <ul style="list-style-type: none"> • can provide high quality services • control their work during the projects execution • Have appropriate and affordable prices 	TransService provides high quality services using own equipment and professional teams working on fields	Opportunity to get high quality of services needed on oil and gas extraction fields from a company with a great reputation and broad experience at an appropriate price	additional internal control+modern technologies use in order to prevent possible troubles/react or be able to react as quickly as possible, before it becomes a significant problem for the company/its clients	Governmental companies private oil and gas companies
	Key metrics <ul style="list-style-type: none"> • Net profit • Customers and partners loyalty • Employees happiness • Compound annual growth rate 		Channels <ul style="list-style-type: none"> • official websites of government orders • main offices of the company 	

Costs structure <ul style="list-style-type: none"> ● Maintenance of machinery and equipment ● Employees' salaries ● Taxes to be paid 			Revenue streams <ul style="list-style-type: none"> ● clients' payment 	

Now before diving deeper into details of each part of the business model, it is principal to get to know the market where TransService operates at present and describe its main characteristics.

One of the main specifics of the industry is that the company gets their clients and orders based on the tenders that are posted on the government procurement websites. Each company taking place in that tender has to provide the most comfortable and favorable conditions for the client. Basically each company competes with each other while taking part in a government tender. Some companies tend to reduce their prices in order to receive an order even though it would bring losses to the company. There is no need for TransService to do that, since the majority of clients are sure about the high quality and effectiveness of the services that the company provides. At the same time clients require a high safety level at the fields as well as high quality of the services provided.

All of those factors create a certain demand for TransService to provide their clients with safety reports and control the work done internally by using modern technologies, such as social networks and the company's own application by which almost every step of work can be seen and supervised, therefore clients can be sure that the work will be done on time with the highest effort put from the side of TransService.

Besides all of the said above, if a situation occurs when an employee faces some issue during their work, it is necessary that the problem should be solved immediately, or at least as quickly as possible. The employee should have an opportunity to inform management about the problem as soon as they face it, so they can fix it fast. That will help the company not to stop the process and not let the client down in terms of the time period allotted for a certain project.

Thus, even though TransService is not the cost leader, the company still does not experience a shortage of clients, since they were able to build the reputation of a reliable contractor suitable for almost any project.

Thus, we can conclude that one of the main factors for clients as well as for the employees of TransService is that it is crucial that the company provides compliance with all safety standards during the execution of a project. The next factor that is more relevant for clients rather than for employees is an ability to exercise control over the whole process and ability to react fast on any issues occurred.

As the company operates on the B2B market, it has quite a limited circle of customers. The main customers are state owned companies producing oil and gas as well as private oil and gas companies. So as we can see that there is not very big diversity among customers of TransService. When TransService receives a contract, it is usually signed and lasts for several years.

However, state-owned companies usually place much bigger projects, therefore they are possibly more income-generating for TransService, therefore state-owned companies are the most preferable customers for the company and are to be given precedence over other possible options.

As a consequence, the unique value proposition of TransService looks like that: opportunity to get high quality of services needed on oil and gas extraction fields from a company with a great reputation and broad experience at an appropriate price. Constant renewal of the transport fleet plus unique conditions which include using internal work controlling methods so that a client does not need to worry about supervising their contractor. Experience of TransService and its deep knowledge about the market in general and its clients and competitors allows TransService to provide their consumers with the best possible conditions at a reasonable price, which is average among other players. The process of getting a contract usually takes 6 steps:

1. Tender is posted on the government procurement website
2. TransService take part in the tendering process
3. Customer gives the contract to TransService if all the requirements of the customer are met in the most advantageous way for them.

4. TransService starts preparing for the project. The process usually takes from 6 to 9 months.
5. Then comes the stage of the project launch. Normally it takes from 2 to 3 months.
6. Company starts working on a project.

Now let us continue with the financial part of the Trans Service’s business model. TransService provides different kinds of transport service on the oil and gas extraction fields, therefore its key stream of income is clients’ payments for the services provided.

As for the next step, we are going to observe the cost structure of the company. A large portion of expenses are supposed to be spent on

- Maintenance of machinery and equipment
- salaries
- Taxes

Costs	Percentage
Maintenance of machinery equipment	25%
Salaries	46%
Taxes	33%

Tax payments include social, pension and medical insurance payments (30%), income tax payment (13%) and General System of taxation (20%)

Having said all of the above, we can conclude that the final product of TransService is the variety of services needed on oil and gas extraction fields that are aimed for customers’ companies who explore and work directly on the fields.

Speaking about key metrics that the company uses to evaluate its performance, the following were mentioned during the interview with the CEO: Net profit - depicts the situation of how profitable the company is, Customers and partners loyalty - provides with assessment customers and partners of TransService are satisfied with collaborating with TransService and are willing to continue working together and if their perception of the brand

of TransService is overall positive, Employees happiness - one of the main metrics, as the company invests in their employees and their development, so they do not intend to change the place of work. Employees are very important for TransService, as all of them are professionals in their sphere and help the company grow and place leading positions on the market. At present there are about 1000 employees working for TransService and the company pays a lot of attention to development of their staff and makes sure they are all comfortable with working in TransService. And the last metric that is used by the company to assess its performance is Compound annual growth rate - allows us to assess the real company growth.

Speaking of unfair advantage of TransService, we can say that it is the unique conditions which include using internal work controlling methods providing opportunity for customers to be able to stay out of the company's work and have no need to control and supervise them, as TransService provides its clients with quite unique conditions where they inform their clients additionally to their main responsibilities so that clients' companies can be sure that the work of a high quality is done and the company is responsible and reliable to work with on future projects as well.

1.2 POTENTIAL SCENARIOS FOR FURTHER DEVELOPMENT

Before developing a new international market entry strategy for TransService, it is important to first define and describe the current development strategy for the company for the 3-years period. Also it is necessary to talk about what the company has achieved during that period. The period of three years was taken as an observed period, since it fully describes the initial stage of foreign market entry.

However, before developing a three-year corporate image for TransService, it is vital to examine what has previously been done as well as alternative strategies that the firm is currently facing.

Table 2: Long-term development plan for TranService (compiled by author)

Period	Stage	Prospects	Results
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November 2002-April 2022	Development of TransService within the national market	get a reputation of a reliable contractor	TransService is the top 1 transport company in oil service segment in Tomsk region
		Expand the area of presence in the domestic market	Since March 2014, TransService has started work at the Novoportovskoye oil and gas condensate field to provide transport services for specialized and oilfield equipment.
		Penetration to the Khanty-Mansi Autonomous Okrug	–
January 2023	International expansion	Entry to international market	–

As it can be seen from the table above, the remaining within the national market development stage, transService is going to only expand to one region which is Khanty-Mansi Autonomous Okrug.

TransService LLC was founded in 2002 and became the main business for the current CEO of TransService Vitaly Zenkin. After they had finished the university in Tomsk, they found the company together with his cousin and have been working together since then having engaged other members of the family during that period. So we can say that TransService has several family dynasties and there are several generations working for the benefit of the company, which makes the company even stronger and more unique.

The company was started with just one KAMAZ truck on its balance sheet but they managed to find their first clients despite any circumstances. TransService was able to establish itself in the market and has only been developing and gaining new contracts since then.

Expansion to the West of the Russian market has never been a part of the strategy of TransService, as the main oil and gas fields are located in the western Siberia, where the company actually operates now.

This year TransService is going to celebrate its 20th anniversary and during this whole period the company has been operating only in the Russian market. Therefore TransService has no international experience, as well as the CEO himself and any member of the company's management team. None of them have experience in either doing business or getting an education, including training in professional development.

Since TransService has been developing within the Russian market for almost 20 years now, the most appropriate way to develop the company is either penetration into the remaining places of western Siberia as a part of the national development strategy, or alternatively international expansion.

As it was already mentioned, TransService focuses their work on the main oil and gas fields in Russia. They already operate in the area where the majority of oil is extracted. So the next step that the company is going to make is to expand to the Khanty-Mansi Autonomous Okrug. After that expansion the company will be willing to develop further and that also implies business geography expansion.

Operating in the areas where the majority of oil is being extracted is logical, because that is the main area where the leading state-owned oil and gas companies work. Even though the competition is quite high, TransService is still able to be one of the leading contractors for such orders, therefore it brings the company the most income. Since all the major areas in Russia are already covered by TransService, it would be logical for the company to start developing in other directions, such as going to international markets.

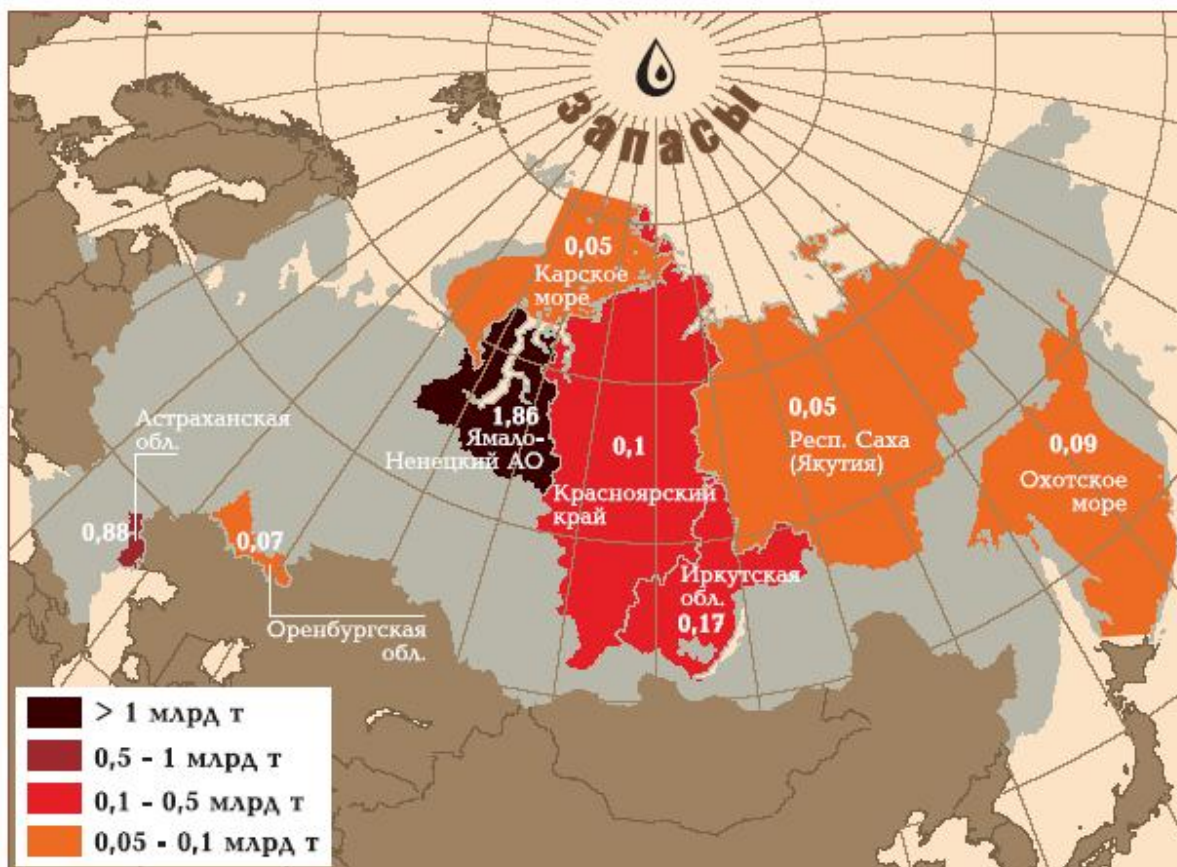


Fig. 1: The main fields of "black gold" extraction in Russia [1]

In consequence, the strategy of further expansion of TransService was changed from developing within the Russian market to expanding the business abroad.

The main challenge for TransService would be the decision regarding the market which the company wants and is able to penetrate. TransService is going to expand to new countries that obviously have oil and gas markets. And surely we have to take into account the absence of international experience of the company and develop the strategy accordingly. During the interview the CEO claimed that the company has been looking at the direction of Kazakhstan for international expansion, as according to the internal research of the company, this market is the most attractive for TransService right now.

Thus, we can say that the domestic market raises more concerns than possibilities, it would be rational for the company to consider going abroad and expanding the business to other countries and thus new markets. And prior to doing so, it is essential to assess the potential of TransService for foreign expansion.

1.3 INTERNAL POTENTIAL

In order to develop an international market entry strategy for TransService that will be successful, it is essential to as well analyze the potential of the company to enter a new market. Due to the fact that the ability of different sized businesses to internationalize differs based on various circumstances, it is critical to examine the company's potential for global expansion in order to determine how beneficial it is for it to actually expand abroad.

There has been a lot of study done on analyzing the internationalization potential of small and medium-sized businesses. At the same time, other academics focused on different elements of internationalization, such as variables that may help or hinder this process.

According to one study, a company's age and scale have a beneficial impact on its potential to internationalize [36] , another study claims that human capital assets are insignificant while undertaking international operations [37] . Entrepreneurship education is also given a lot of attention since it "mediates the emergence of new entrepreneurial enterprises and facilitates the internalization of current SMEs in transition economies" [38].

But not only internal factors are important in terms of international expansion of a company. External factors are also essential for a company's effective internationalization.

One study discovered that "industry factors are definitely strongly connected with the inclination to internationalize, and industry features are associated with numerous facets of internationalization." Other factors encouraging internalization included managers' foreign experience, discovering international opportunities, avoiding harsh local competition, industry globalization, and others [39].

The review that is described above allows us to define the principal factors that may hinder or help the internationalization of SMEs. The key factors of internationalization were categorized into four related groups based on the classification of factors of globalization of small and medium-sized enterprises by their sources of origin: individual, company-internal, industry-specific, and external environment factors.

Starting with the individual factors, they are being the company founders and shareholders, as well as the management team and overall people who have the right to make decisions in the company, as they lead the firm based on their personal experience, knowledge, expertise and skills. Company-internal factors are the factors of the company that may be used when describing it, such as the age of the company, how big it is and whether its products or services are unique. The next type of factors used in the classification is industry-specific factors. They describe the sphere or niche where the company operates; so the factors are: level of market globalization, its growth rate and also the level of competition. And the last type of the factors defined is external environment factors. They consist of possible components of the macro environment that could possibly make an impact to the company's activity as well as the international market as a whole. Those factors could be for instance different languages, mentality differences of countries as well as demand for certain products or services.

Before we go further to the categorization, it is important to say that individual factors of the company as well as internal factors are used as internal indicators of internationalization and the remaining ones, namely external environment factors and industry-specific factors are used as external indicators of internationalization.

In order to define the potential of TransService to internationalize, the categorization of factors in terms of their sources of origin was used.

Table 3: Internationalization factors classifications

Group of factors	Auxiliary factors	Barriers
Individual	<ul style="list-style-type: none"> ● CEO's specialised education in the field of automobiles and vehicles ● Successful experience in running business in Russia and expanding it to the most favorable 	<ul style="list-style-type: none"> ● Lack of international experience expertise and skills among management team members in terms of running business and building international

	<p>areas in the market</p> <ul style="list-style-type: none"> ● Presence of family members in the management team of the company ● Willingness to take justified risks ● Professional experience in a relative field prior to establishing TransService 	network
Internal	<ul style="list-style-type: none"> ● Proven technologies used by the company for almost 20 years ● Reputation of the company ● Company is considered as middle-sized business ● Constant renewal of the transport fleet 	<ul style="list-style-type: none"> ● Lack of international experience
Industry-specific	<ul style="list-style-type: none"> ● Attractiveness of new markets in terms of economics ● Exploration of new oil and gas field in other countries → investment flow 	<ul style="list-style-type: none"> ● Not very unique services provided
External environmental	<ul style="list-style-type: none"> ● Good relationships between Russia and other countries in terms of economics and running business 	<ul style="list-style-type: none"> ● Possibility of negative attitude towards Russia and Russian companies in some countries due to the geopolitical situation in

	<ul style="list-style-type: none"> ● Potential demand for the company's services on a new market 	the world right now
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Compiled by the interview conducted with the CEO of TransService Vitaly Zenkin

The next step after defining the key factors will be the description of the resulting table in more detail. Let us start with the group of internal indicators, namely the experience, knowledge, skills and beneficial expertise.

At present the company has 4 shareholders, but only one of them has the majority of shares and has the power to actually affect the most important decisions regarding the company's activity. And that person is the CEO, Vitaly Zenkin, however all the decisions regarding TransService are made collectively. Also it is worth noting that the management team of the company is much wider than just 4 shareholders. There are also financial, commercial directors, director for technical issues and so on. Almost all of the top management positions are filled by the family members of the CEO, however, all of them have a professional education as well as experience in their field. Presence of family members in the management team allows the company to build an even stronger business, as all the managers are connected to each other and feel the responsibility towards the company and themselves. The company is considered a middle-sized business, so the management team is required to be quite broad.

In 1994 both of the founders of TransService finished the Tomsk Civil Engineering Institute. After the graduation they have attained professional experience by working for other transport companies in the sphere of oil and gas service segment. That led them to valuable experience in the niche and allowed them to not repeat the mistakes of their employers in future, when establishing TransService.

In November 2022 TransService is going to celebrate its 20th anniversary. Looking back we can say that the company managed to overcome different challenges including the global financial crisis in 2008 and yet become top 1 company in the Tomsk Region and achieve one of the leading positions in the Russian market. As for now, TransService is the

most long-living business project for Vitaly Zenkin and he only intends to continue developing it.

And the last but not least factor in this part is the positive attitude to risks of Vitaly Zenkin. During the interview he shared some information regarding his attitude towards risk taking. The CEO has also taken tests that help to define whether the person is ready to take risks and the results showed that Vitaly Zenkin is willing to take risks in business if they are justified. In addition he shared that those test results match his internal personal feeling about risk taking, which means he is ready to take justified risks.

Nevertheless, despite the positive factors mentioned above, Vitaly Zenkin has no international experience and knowledge in terms of running business and building international networks.

Now we are moving to the internal factors of the company, which include valuable experience and expertise.

One of the main beneficial factors is proven technologies that the company has been using for a long time to achieve the best results possible. The general technologies are not unique, but TransService has made some improvements to existing technologies which allows the company to work even more effectively.

TransService is a middle-sized business representative, which opens new opportunities to the company that are not available for small enterprises. Also the reputation of TransService is also one of the key favorable factors for internationalization, as the company has been present on the market for almost twenty years, which makes TransService a brand that works for the company's benefit in all situations.

Speaking of the technical part, constant renewal of the transport fleet is one of the main favourable factors, as that company claims that the services they provide are made with all the current technologies and transport, so clients can be sure they will receive a service that meets all modern requirements. However, the company has no international experience, which may make the process of the company's internationalization more complex.

Moving forward to the next group that could have a positive impact on TransService's internationalisation, namely industry-specific. Right now many countries apart from Russia export oil. Below the list of countries that export the most oil in the world can be seen:

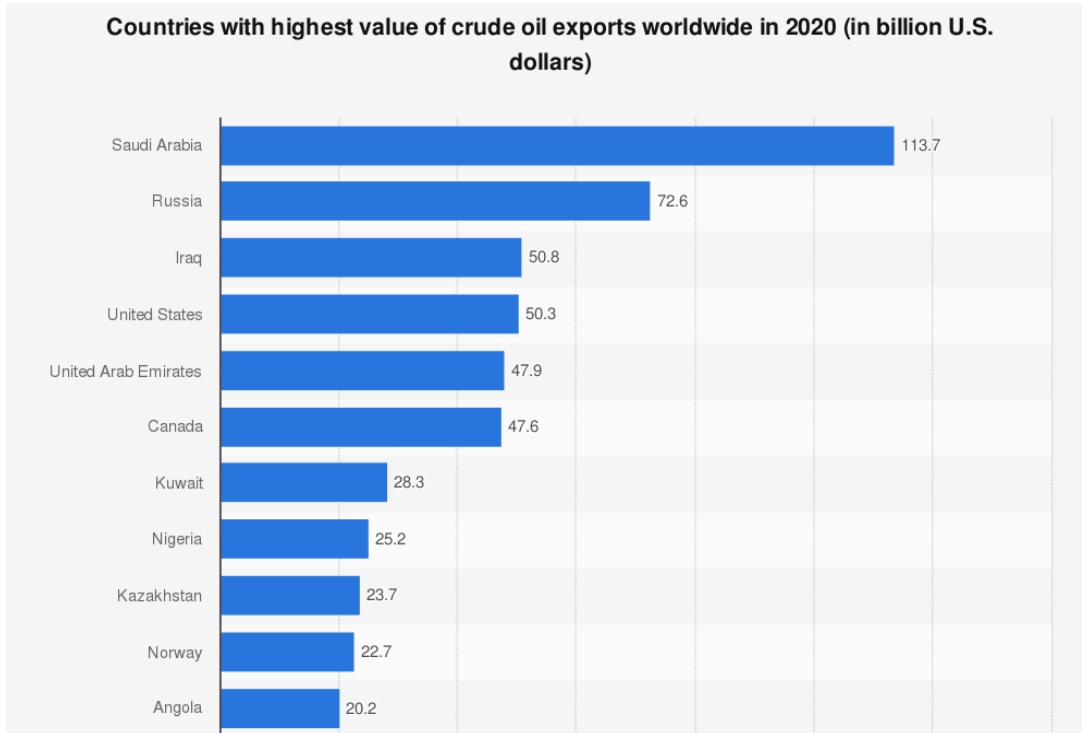


Fig. 2: Countries with highest value of crude oil exports worldwide in 2020 (bln. USD) [44]

Also it is important to take into account the fact that many countries have oil reserves and the exploration works in new oil fields are being executed. [2]

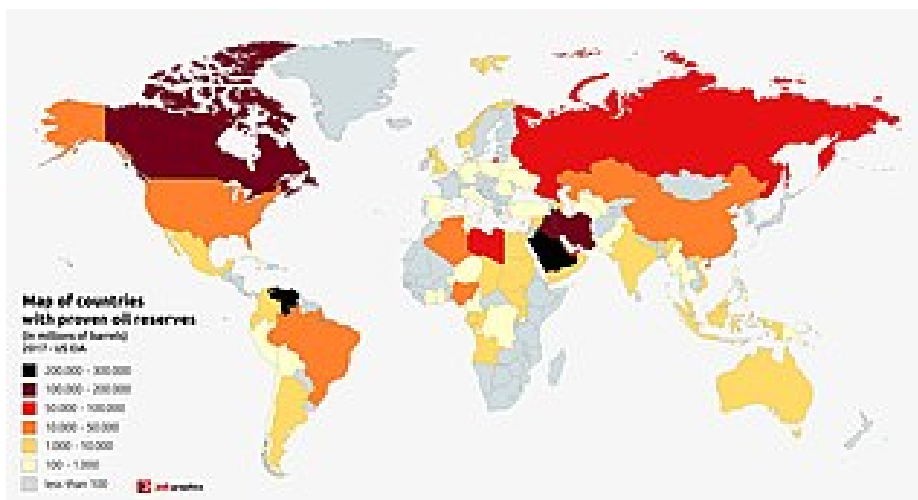


Fig. 3: Map of world oil reserves by countries of the world [45]

TransService does not have an intention to cover all the possible markets immediately when expanding abroad. It is clear that this is impossible for the company due to many factors. The strategy implies gradually entering new markets according to the company's goals and abilities. As neighboring countries have oil and gas markets, it creates potential economical benefits for TransService. At the same time TransService understands that the services they provide are not unique from other companies existing on the market.

Now we are moving to the final part of the table, which is environmental factors for internationalization.

To begin with, let us talk about the political relationships between Russia and other countries. First of all, in the present geopolitical circumstances we can say that the situation is constantly changing and changing really fast. However, Russia still has a lot of countries that maintain good relationships with and provide support. This can be seen in the conditions of running the business between Russia and other countries, such as Kazakhstan, for instance. National governments are trying to make it easier to run business within and between countries. Also, the neighboring countries which Russia is in good relationships with now have oil and gas markets which can be potentially attractive ways for TransService to expand to.

On the other hand, in other countries, such as Ukraine, Russia as a country, Russian culture and Russian people may be perceived negatively. Despite the good relationships between Russia and other countries, there is always a possibility where people have a negative attitude toward Russia which can make the process of running business in that country a bit complicated.

As it was already mentioned, during the interview the CEO claimed that the company has been looking at the direction of Kazakhstan for international expansion, as according to the internal research of the company, this market is the most attractive for TransService right now. That is why the next chapter is going to describe the market of Kazakhstan in terms of international business opportunities for TransService. Also the decision about the particular area in Kazakhstan as the first place to start operating will be made.

1.4 CONCLUSION TO CHAPTER 1

To sum up, having assessed the international potential of TransService we see that the overall number of favourable factors for internationalising outweigh the factors that could hinder the process of the company expansion abroad. Taking into account that and the fact that TransService has covered the whole available areas to operate in Russia, it is logical and reasonable to focus on developing the company in foreign market by expansion. Thus, the next chapter is going to be focused on analysing the Kazakh market and creating recommendations for TransService's expansion on this market.

CHAPTER 2 ANALYSIS OF THE INTERNATIONAL MARKET

The chapter number 2 is dedicated to analyzing the international market which TransService has a potential to enter. This chapter is vital for analyzing the international market that TransService should enter and also for further developing the expansion strategy.

2.1 INTERNATIONAL MARKET DESCRIPTION

According to the official source Sputnik Kazakhstan, the country is expected to grow oil and gas extraction by 21% by the year of 2030. [35]

"According to the results of 2021, oil production is expected to reach 85.7 million tons, export - 67.6 million tons. According to the plan, oil production in the country will grow and reach 104.2 million tons by 2030," said the Minister of Energy of Kazakhstan. According to the minister, a number of initiatives will be implemented to ensure that the desired oil production is met. Among them is a potential development project at the Tengiz field, which would raise oil production by 12 million tons per year beginning in 2024. Another initiative is to preserve the production shelf at the Karachaganak field, which will allow oil production to stay at 11-12 million tons per year. Third, building of gas processing units at the Kashagan field will allow for the production of 3 billion cubic meters of marketable gas and an increase in oil production from 16 to 20 million tons per year.

Kazakhstan is also a major energy exporter. In 2020, it was the world's 9th largest exporter of crude oil.

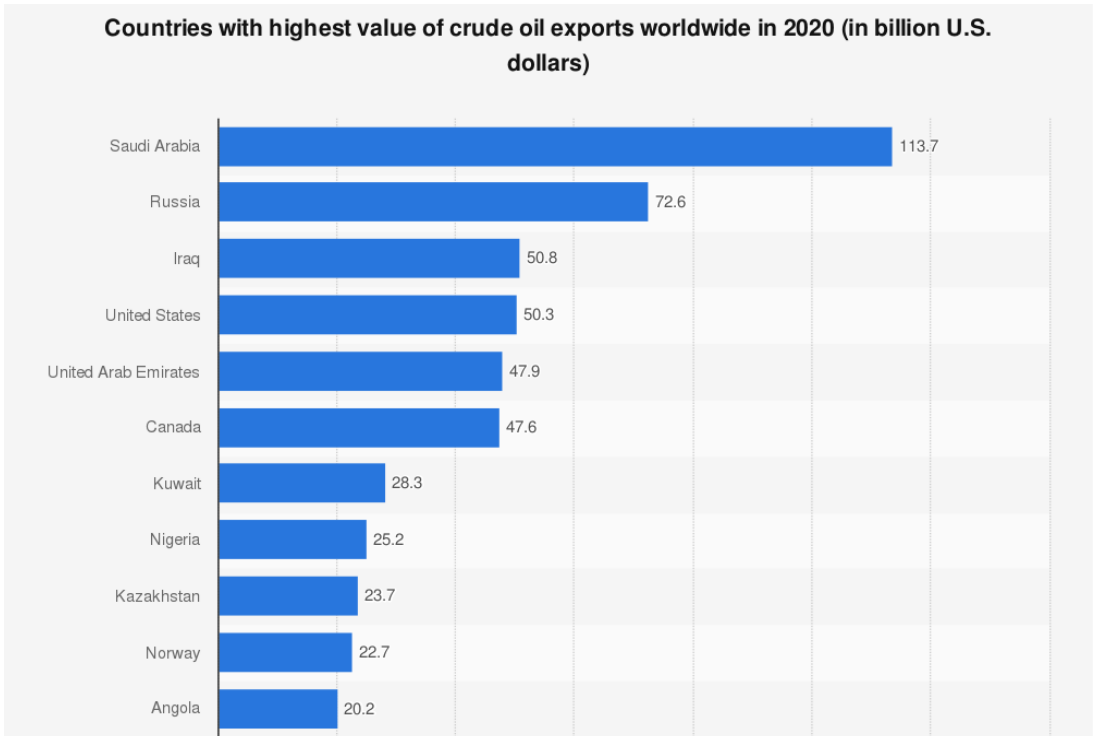


Fig. 4: Countries with highest value of crude oil exports worldwide in 2020 (bln. USD)

The graph below depicts Kazakhstan's real GDP growth from 2016 to 2020, with predictions through 2026. Kazakhstan's real GDP declined by roughly 2.6 percent in 2020 compared to the previous year.

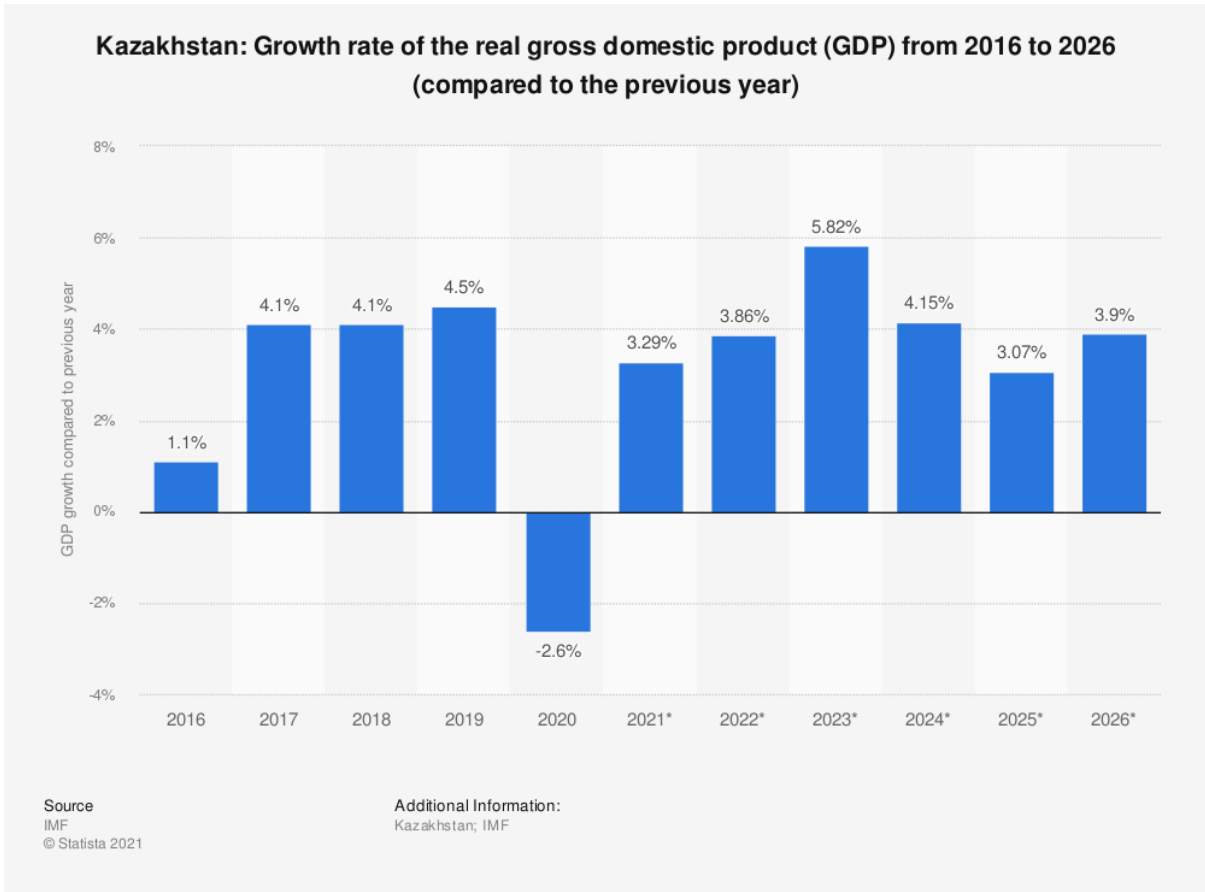


Fig. 5: Growth rate of the real GDP from 2016 to 2026 (compared to previous year) [41]

Kazakhstan's oil and gas complex plays an important role in the country's development, providing a significant portion of the state budget's tax revenues and accounting for about a quarter of GDP. Since independence, oil and gas condensate production in the Republic has increased more than 3.5 times from 25 million tonnes. Up to 90.5 million tons per year in 2019. Kazakhstan is ranked 13th in the world in terms of oil production. The main production of hydrocarbons in Kazakhstan is concentrated in the three largest areas of Tengiz, Karachaganak and Kashagan, the development of which is carried out by an established consortium involving cross-border vertically integrated enterprises.

In order to maintain and increase oil and gas production at large fields, several projects are being implemented to expand and extend the achieved level of production. The achievements of the oil and gas sector of Kazakhstan include the discovery of the Kashagan field, which is one of the 10 largest fields in the world.

Kazakhstan occupies one of the leading places in the world in terms of oil reserves (12th place in the world, 1.8% of world reserves). Among the CIS countries, the state is also one of the leaders in terms of oil reserves and production in the region, second only to Russia. BP estimates that there will be enough oil for 49 years of production. According to the BP report, natural gas reserves amount to 1 trillion cubic meters, 0.5% of the world's reserves, while at the current gas production volumes it will be enough for 75 years. Possessing significant potential for the development of the hydrocarbon industry, the country is one of the major players in the global market and attracts the attention of foreign investors. Relevant projects for a significant increase in Kazakhstan's annual oil production are the large projects that are being run now: Karachaganak, Tengiz and other projects aimed at exploration of the shelf of the Kazakhstani sector of the Caspian Sea (KSCS), one of the world's largest fields, Kashagan. At the moment the achieved level of production at Kashagan is 400,000 barrels per day. In addition, Minister of Energy of the Republic Magzum Mirzagaliyev said that by 2030 Kazakhstan will increase oil production to 104.2 million tons from the current 85.7 million tons.

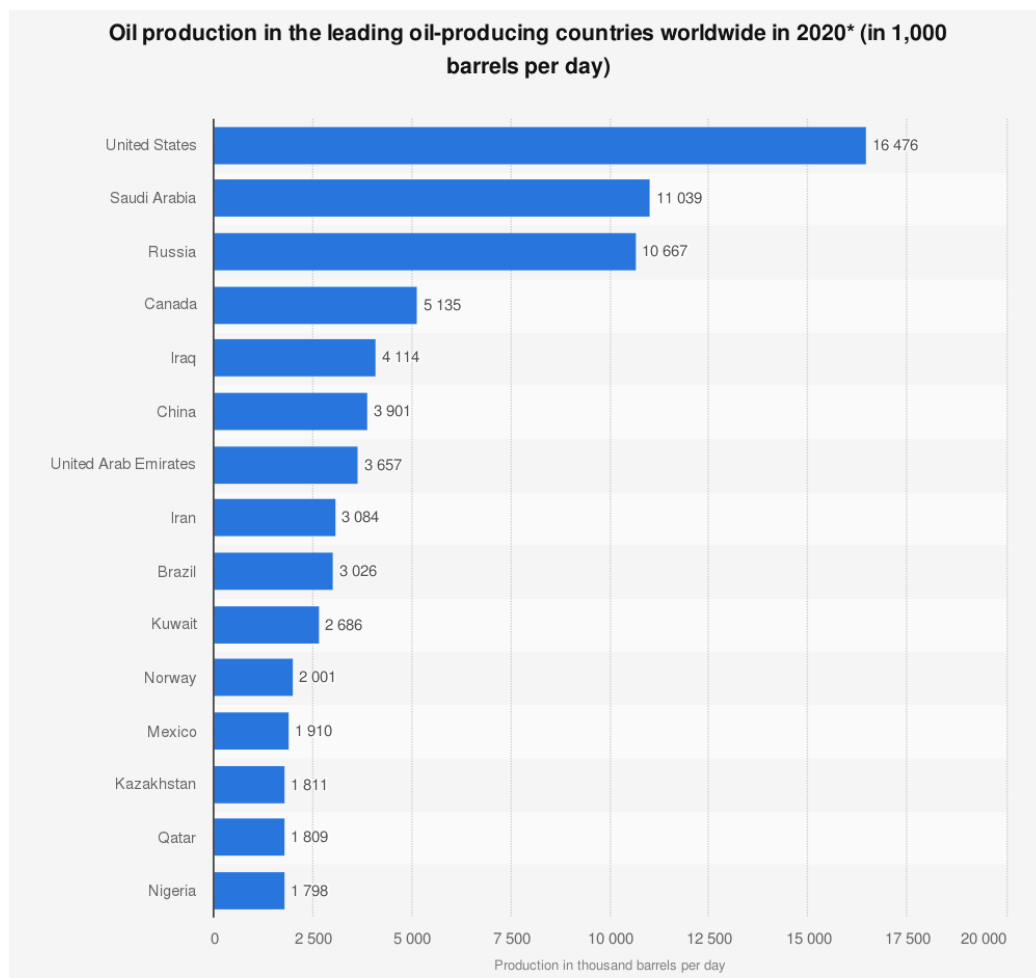


Fig. 6: Oil production in the leading oil-producing countries worldwide in 2020 [42]

As we can see from the statistics above, Kazakhstan is one of the leading oil-producing countries, being ranked at the 13th place.

After Russia, Kazakhstan has the largest reserves of liquid hydrocarbons in the former Soviet Union countries. According to the National Commission on Mineral Reserves of the Republic of Kazakhstan, Kazakhstan has 4.1 billion tonnes (30 billion barrels) of recoverable oil reserves, including onshore deposits. Gas condensate reserves are estimated at 300 million tonnes.

The relevance of the chosen topic is because oil is critical to Kazakhstan's economy. Kazakhstan wants to enhance output at the Kashagan and Tengiz areas in the future. Kazakhstan's oil and gas industry is one of the country's most important economic sectors. Today, the dynamics of the Kazakh gas industry's development are more successful, with KazTransGas JSC serving as the national operator. JSC KazMunayGas is the national oil and gas corporation. Oil and gas market in Kazakhstan is rising, which means that the market of oil and gas services is going to rise as well. That is why new players are relevant for the Kazakh market of oil and gas services.

44% of the state budget is formed from tax revenues from the oil and gas sector. Tax deductions from the 30 largest taxpayers in Kazakhstan amount to about 60% of total tax revenues and payments to the state budget.

In 2019, the state budget received 9.7 trillion tenge. At the same time, the 30 largest taxpayers paid 4.9 trillion tenge in taxes, of which 4.3 trillion tenge came from enterprises engaged in oil and associated gas production.

That is, 44% of the state budget is formed at the expense of the oil and gas sector.

Extraction of crude oil and natural gas is the most investment-attractive sector of the economy. In the first nine months of 2019, the volume of foreign direct investment reached \$9.5 billion, which corresponds to 51.6% of the total FDI attracted. The share of foreign investment in large oil and gas projects in Kazakhstan, such as Tengiz, Karachaganak and Kashagan, ranges from 80% to 90%.

2.2 PESTLE ANALYSIS

In order to assess the market of Kazakhstan as a potential market to enter for TransService, PESTLE analysis is going to be conducted. The analysis is supposed to highlight the opportunities and potential challenges for the company when entering the international market, and will also allow us to understand whether entering the Kazakhstan market is relevant for TransService. Environmental factors do not affect the company and its entry to the market, hence, environmental factors will not be considered. Nevertheless, legal factors are to be considered and analyzed in this part.

PESTLE analysis is a strategic tool that is usually used to assess the business environment where a firm is active. PESTLE analysis is used to analyse the market using several groups of factors: political (P), economic (E), social (S), technological (T), environmental (E) and legal (L). [34]

Below is the table where political, economical, social, technological, environmental and legal factors are included that can influence the activity of TransService both directly and indirectly.

Table 4: PESTLE analysis results

Political	Economical	Social
<ul style="list-style-type: none"> ● Relationships with the main countries-consumers of oil and gas ● Sanctions ● Laws and regulations of the industry ● taxes and costs of 	<ul style="list-style-type: none"> ● Inflation ● GDP of Kazakhstan ● Unemployment 	<ul style="list-style-type: none"> ● Population growth ● Age distribution

establishing branch/enterprise	a		
Technological <ul style="list-style-type: none"> ● OPEC+ restrictions ● COVID-19 crisis recovery 		Legal <ul style="list-style-type: none"> ● Law system similar to Russian 	

POLITICAL FACTORS

добавить что КЗ увеличивает поставки газа в Венгрию

Russia is one of the main trading partners of Kazakhstan, which has a positive effect on doing business in these countries. According to official sources, Kazakhstan does not intend to revise trade relations with Russia against the backdrop of recent events in Ukraine.

Due to the geopolitical situation and military actions in Ukraine, quite many countries stopped their activity in Russia, which will lead to some difficulties regarding business activity within the country.

Political situation in Kazakhstan is much easier than in Russia right now, which results in many opportunities to cooperate and partner with foreign companies to maintain transport technology as well as workforce. Kazakhstan is not under sanctions at the moment, therefore there are opportunities to work with the western market where the company will be able to order equipment from. For instance Hungary has already increased the volume of oil purchases from Kazakhstan. [46] And this will ease the whole process of the company's activity in the foreign market.

Besides, Timur Suleimanov, first deputy in the administration of the president of the Republic of Kazakhstan claimed that Russia and Kazakhstan are traditionally bound by truly strong allied and good neighborly ties. He emphasized that "Russia and Kazakhstan have similar legal and tax systems, which contributes to the development of joint projects and the growth of trade. Accumulated Russian investments in Kazakhstan amount to \$17 billion, and Kazakh investments in Russia - \$4.6 billion. Russian business is widely represented in the

economy of Kazakhstan. At the same time, more than 70% of mutual settlements are made in rubles, which significantly reduces the dependence of our cooperation on fluctuations in the foreign exchange market.”

So the first factor in PESTEL analysis is political factors. Three main elements were considered to assess the political context: the costs of creating a foreign branch or firm, tax law, and the difficulties of obtaining an entrepreneurial visa.

Tax legislation was assessed based on factors such as total income tax, number of payments per year, number of hours spent preparing the workflow every year, and income tax rate.

The costs of creating a foreign branch or firm include criteria such as the complexity (length, cost, and number of processes required) of property registration, profit tax, cost of establishment (as a percentage of income per capita), and minimal capital required (as percent of income per capita).

Also the degree of the commercial, financial, and language issues were used to determine the difficulty of obtaining an entrepreneurial visa.

The country was analyzed for the comparative research using selected characteristics ranging between -3 and 3, where a negative value showed a negative influence on the company’s future operations and a positive value shows a good influence on the future operations of the firm.

Table 5: *Political factors assessment*

Costs of establishing a branch/enterprise	minimum authorized capital varies from 1 to 483 USD	2
Difficulty of registering a business entity	No need to physically attend while registering the entity, a person should have a working permission	2

Tax legislation	12% VAT, 20% corporate tax rate, 10% total tax rate	2
Evaluation points	Kazakhstan is considered favorable country for doing business in terms of political factors	2

In order to get a visa that allows you to conduct business activity, applicants only have to fill the application and pay a consular fee. When a person gets a visa, it is not necessary to be physically present when establishing an enterprise.

Kazakhstan attracts foreign investors with its economic stability, clear rules for regulating activities, as well as the possibility of entering the Asian market. In 2021, the country was ranked 28th in the World Bank's Ease of Doing Business ranking.

It will take only 3 simple steps to establish an enterprise in Kazakhstan: 1) Translate the passport into Russian and Kazakh, 2) Get an IIN, 3) Obtain an EDS for registration of a company .

One of the options is to open a branch of an international company, then the minimum authorized capital is 483 USD. It should be taken into account that at least 1 director must be a resident in order to register a JSC in Kazakhstan. The structure must have at least 1 shareholder. There is no requirement for the residency of a shareholder. The company must necessarily undergo a financial audit and submit financial statements to the regulator. An individual also has the right to register an individual entrepreneur in Kazakhstan. Foreign enterprises can: register a representative office in Kazakhstan; open a branch in Kazakhstan; register a subsidiary in Kazakhstan. [6]

Also there is a possibility to create an LLP (Limited Liability Partnership). In that case the minimum authorized capital: 1 USD. The reporting obligations of the OOO depend on the activities carried out by it. There are no specific reporting requirements for an LLP other than

the preparation and submission of annual financial statements. The Law on Private Enterprises in Kazakhstan defines 3 types of limited liability partnerships: small enterprises, medium enterprises and large enterprises. [7]

In terms of time establishing an LLP takes several business days, if all the documents are ready, while a branch or representative office can be registered within twenty working days. [8]

Moving on to the tax system of the country, VAT equals to 12% and corporate taxation will be 20% and the total tax rate would be 10%.

All in all, we can claim that in terms of political factors, Kazakhstan can be considered as a favourable country for international expansion for TransService.

ECONOMIC FACTORS

The next group of factors in PESTLE analysis being evaluated is economical factors. In order to analyse this group of factors, it has been divided into three parts: 1) labour costs, which include staff costs, training costs, etc. 2) economic potential, which includes the analysis of oil and gas market and oil and gas services segment.

The country was analyzed for the comparative research using selected characteristics ranging between -3 and 3, where a negative value showed a negative influence on the company's future operations and a positive value shows a good influence on the future operations of the firm.

Table 6: *economic factors assessment*

Labour costs	average salary equals to RUB 112,800, relatively low and stable unemployment rate	3
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Economic potential	decreasing inflation rate, growing GDP and relatively stable unemployment rate, interest rate equals to 13,5%	2
Total evaluation points	In terms of economical factors, Kazakhstan is relatively favourable market for expansion	2,5

Next factor to be discussed further is the inflation rate. Inflation is projected to rise below 5% in the next 5 years, which is moderate inflation. It creates demand for services, including educational ones.

For the modern market economy, inflation has become an integral phenomenon, primarily due to the fact that the modern market is far from the conditions of perfect competition. Inflation is projected to rise by less than 5% per year over the next 5 years. [33] This type of inflation is called "moderate", it almost retains the purchasing power of money, the investment process is formed. Moderate inflation does not pose a threat to business and creates demand for any products and services, including educational ones. Below is a graph, which shows the average % inflation growth per year.

As it is seen in the graph below, the inflation in Kazakhstan is gradually decreasing every year, it is expected in the following years to have the inflation rate at about 4% range. This is referred to as "moderate" inflation; it practically keeps the purchase power of money, and the investment process is established. Moderate inflation is not a danger to business since it generates demand for both goods and services. [3]

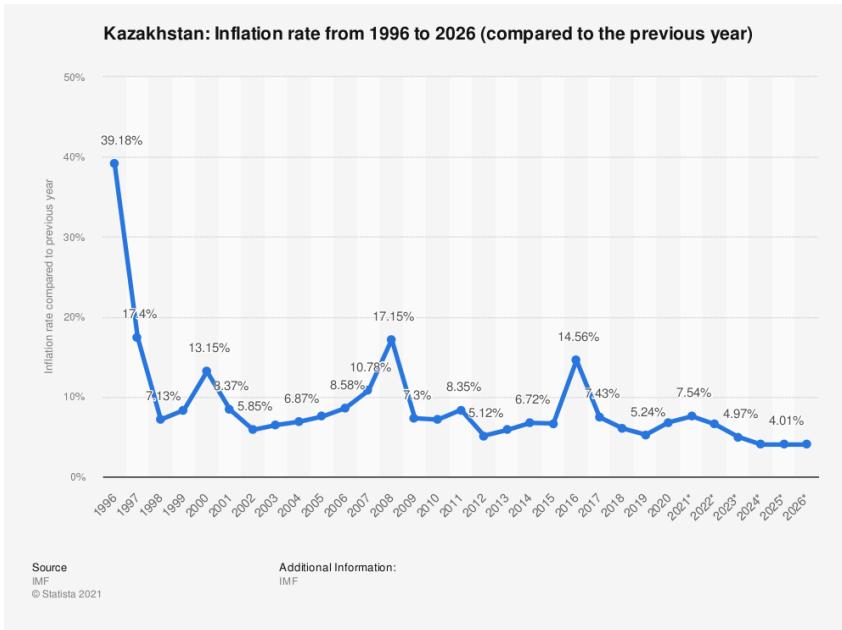


Fig. 7: Inflation rate of Kazakhstan from 1996 to 2026 [33]

Now we are moving further to the next step and the GDP of the country is going to be analyzed at this step.

This statistic shows Kazakhstan's Gross Domestic Product (GDP) from 1996 to 2020, with forecasts up to 2026. Gross Domestic Product (GDP) is the sum of all services and goods produced domestically in a particular year. GDP is an important indicator of a country's economic strength. Kazakhstan's gross domestic product in 2020 was approximately \$171.24 billion.



Fig. 8: GDP of Kazakhstan from 1996 to 2026 [40]

The statistics below show Kazakhstan's real GDP growth from 2016 to 2020, with forecasts up to 2026. Real gross domestic product of Kazakhstan in 2020 decreased by about 2.6% compared to the previous year.

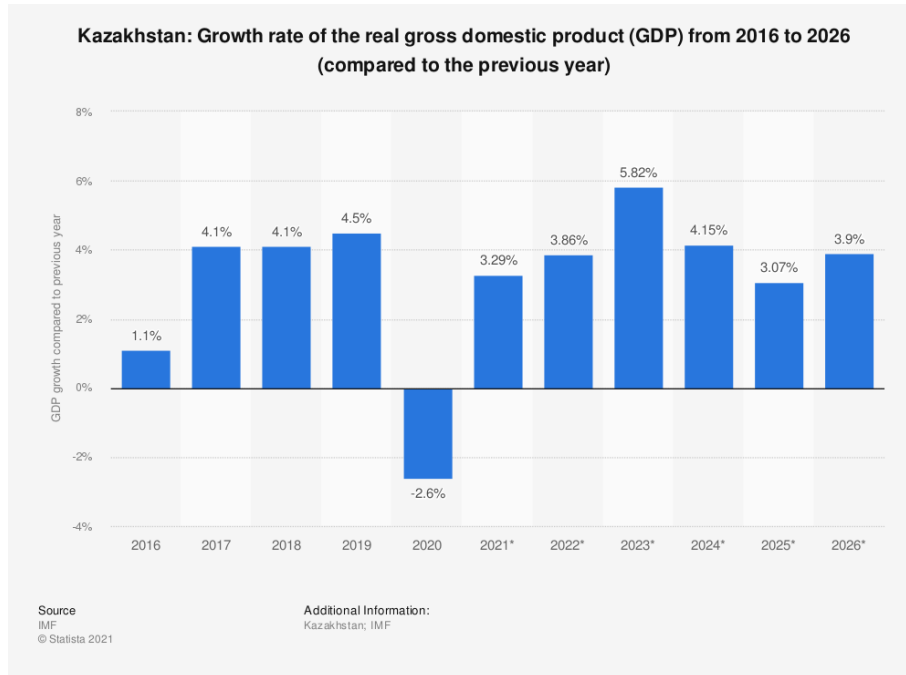


Fig. 9: Growth rate of the real GDP of Kazakhstan from 2016 to 2026 [41]

But due to the military actions in Ukraine, it would be impossible to stick with that statistics, as it was made at the end of 2021. So the newest data (released in April 2022) shows that the real economic growth in 2022 is expected to lower to 1.8% and then continue rising. By the end of 2023 GDP growth is expected to be at the point of 4%. The statistics can be seen in the picture below.

Country	2021*	2022**	2023**
Kazakhstan	4%	1.8%	4%

The next step in analyzing economic factors of the Kazakhstan market of oil and gas would be considering interest rate.

As reported, on February 24, the National Bank raised the base rate from 10.25% to 13.5% due to the need to maintain price stability and the attractiveness of tenge assets, which arose

due to the risks associated with the deterioration of the geopolitical situation. The National Bank of Kazakhstan retained the base rate at 13.5%. (Kapital.kz) In April 2022 The National Bank of Kazakhstan decided to keep the base rate at 13.5% per annum with an interest corridor of plus or minus 1 percentage point.

The decision to keep the interest rate unchanged is due to the fact that its current level already does reflect the reaction of the country’s National Bank to the increase in geopolitical risks and the risk of accelerating inflationary processes. At the same time, there is room for subsequent tightening of monetary conditions in case of further deterioration of the external and internal macroeconomic situation.

When we are talking about the unemployment rate in Kazakhstan, at present, as it can be identified from the graph below, the relevant unemployment rate is kept at the level of 4,9% and the growth of unemployment in Kazakhstan is not predicted for the near future.

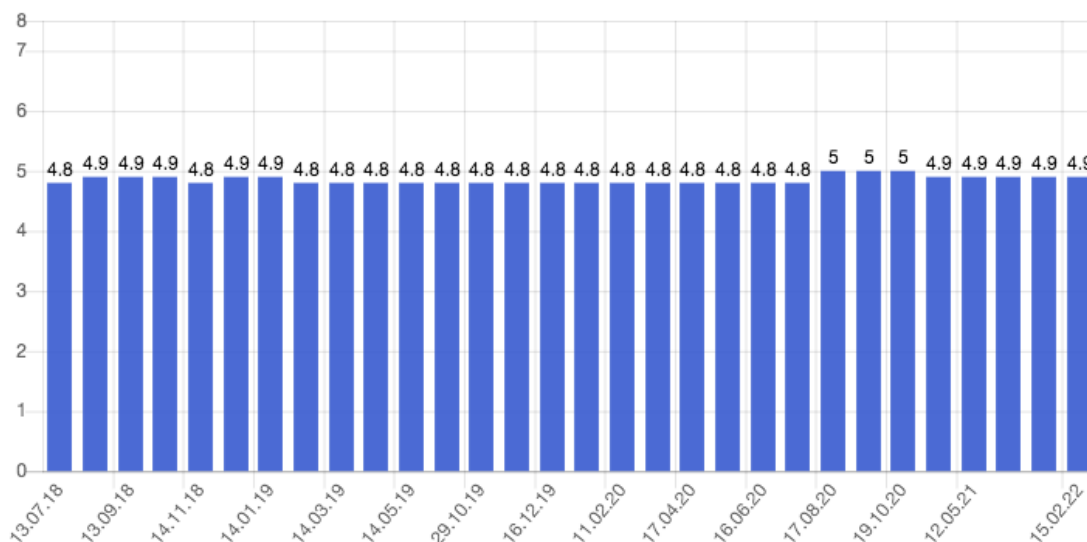


Fig. 10: Unemployment rate of Kazakhstan from 2018 to 2022

Now we are moving on to the next of economical factors, namely the average salary of a worker of the oil and gas market in Kazakhstan. The average salary is extremely important to consider while assessing the economical factors of the market, as it allows one to understand whether the company is actually able to cover that factor and pay its employees the appropriate and competitive salary while expanding to the new market, simply put, costs of labour are linked to a company's financial ability to operate in a foreign market. According

to official sources, In terms of rubles, the average salary of the oil and gas market in Kazakhstan is RUB 112,800, which is considered as quite competitive salary in the country due to the industry specifics.

Thus, having analyzed all the factors above, it can be claimed that the oil and gas market of Kazakhstan is favourable for TransService to expand to.

SOCIAL FACTORS

The next group of factors that are going to be considered in terms of PESTLE analysis is social factors. These factors were also divided into several groups in order to create a full image of the current situation. These groups are: 1) population, which include such factors as population growth, age distribution, and 2) cultural attitude towards Russia, Russian people and Russian companies and business. All of these factors are important to assess in order to get the full picture of the situation in Kazakhstan and make a decision whether it is favourable for TransService to enter the market of Kazakhstan.

The country was analyzed for the comparative research using selected characteristics ranging between -3 and 3, where a negative value showed a negative influence on the company's future operations and a positive value shows a good influence on the future operations of the firm.

Table 7: Social factors assessment

Population of Kazakhstan	growing population, the majority of population are people of working age	2
Cultural factors	evident similarities between people in terms of culture, strong friendly political relationships between Russia and Kazakhstan, overall	3

	positive attitude towards Russia	
Total evaluation points	Very favorable conditions for expansion	2,5

The first factor to be evaluated on this stage is the population of the country. As it can be defined from the statistics data provided below, the population of Kazakhstan keeps rising.

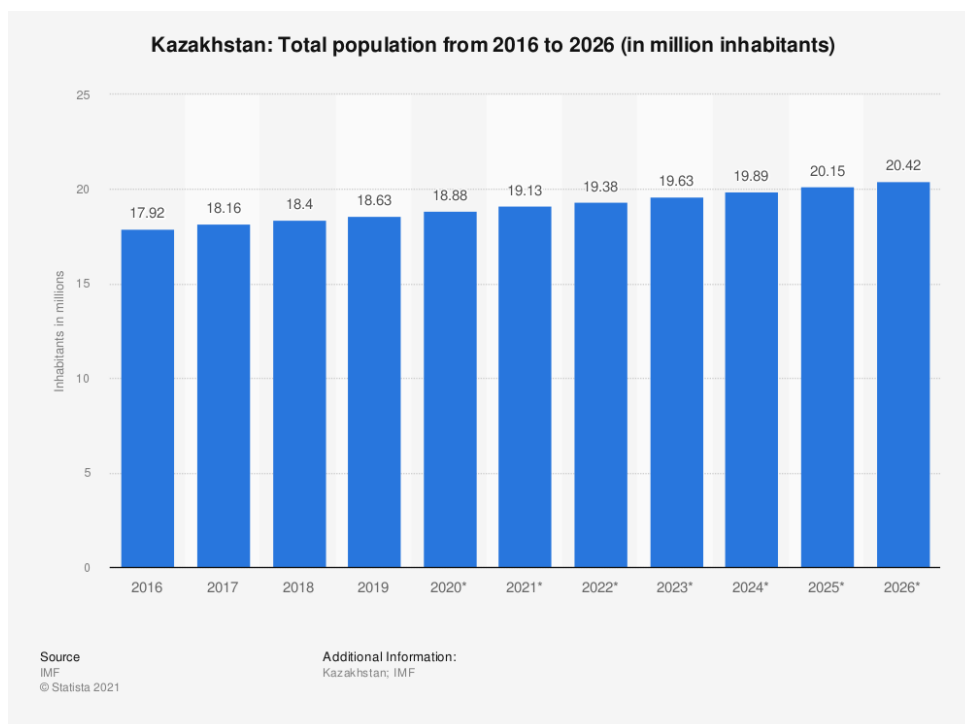


Fig. 11: Total population of Kazakhstan from 2016 to 2026

The next point to be evaluated is age distribution in Kazakhstan. It will allow us to understand whether TransService will be able to hire enough people in order to run the business in Kazakhstan effectively. As it can be seen from the graph below, the vast majority of the population of Kazakhstan are people who are aged between 15 and 64 years old. This indicator has remained at approximately the same level for several years since the year of 2010, which means that the majority of the country’s population are people of working age.

TransService will be able to form a workforce base when the company enters the market of Kazakhstan.

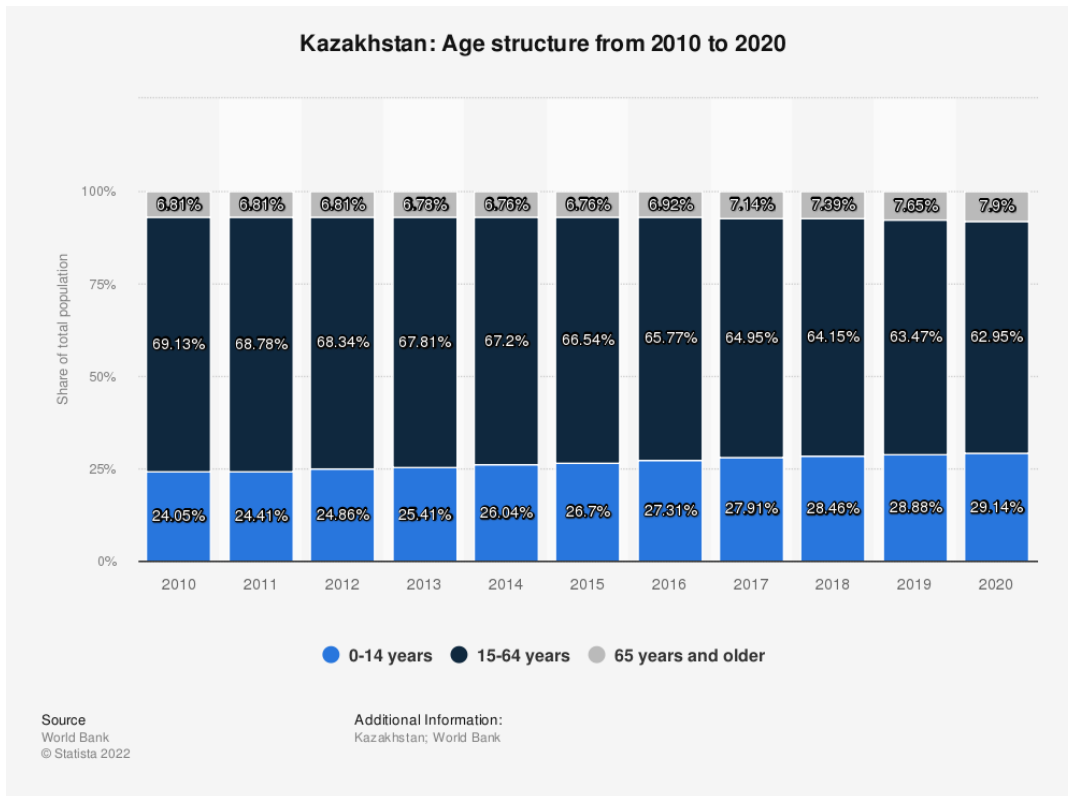


Fig. 12: Age distribution in Kazakhstan from 2010 to 2020

The next block of the social factors part would be cultural attitude towards Russia, Russian people and Russian business from the citizens of Kazakhstan.

Russians in Kazakhstan are the second largest national group in Kazakhstan; at the beginning of 2022, they accounted for 17.94% of the country's population (3,429,747 people). They live mainly in Northern, Central and Eastern Kazakhstan, to a lesser extent in Semirechie and areas bordering the Orenburg region. [10]

Now let us move on to the cultural aspect of that problem. There are various researches that analyze differences and similarities between Russian and Kazakh people as well as cultural attitudes. The vast majority indicates the presence of similar personality traits and behavior. [11]

Speaking about political relationships between two countries, in general, Kazakhstan considers cooperation with Russia, both directly and through various integration associations, as one of the most important priorities of its foreign policy. [12]

Thus, the conclusion can be made that in terms of social and cultural aspects Kazakhstan creates a very convenient environment for internationalization of TransService to that market.

TECHNOLOGICAL FACTORS

The prior to the last group of factors in this PESTLE analysis would be technological factors. Here the factor group was also divided into several parts, namely: 1) technologies used in the production process and 2) OPEC+ restrictions regarding oil and gas extraction in Kazakhstan.

The country was analyzed for the comparative research using selected characteristics ranging between -3 and 3, where a negative value showed a negative influence on the company's future operations and a positive value shows a good influence on the future operations of the firm.

Table 8: Technological factors assessment

Technologies in the production process	Technologies used in the production process similar to Russian	2
OPEC+ restrictions	constant rising amount of oil extracted coordinated with OPEC+	2
Total evaluation points	Pleasant environment for expansion	2

In the first quarter of 2020, due to the coronavirus epidemic, there was a sharp decline in hydrocarbon consumption in the world. In order to correct the imbalance in the global market, a new deal to limit production was required, which was concluded in April 2020. In May-June, the total decline in oil production under the OPEC+ deal amounted to 9.7 million barrels per day. The volume of production cuts was gradually revised during 2020, stopping at 7.2 million barrels in January 2021. In 2020, the total oil production by OPEC and OPEC+ countries amounted to 48 million barrels per day, which is 10.6% lower than in 2019. During the December meeting of OPEC +, the parties agreed to increase the total oil production during 2021 by 500 thousand barrels per day per month.

Under the OPEC+ agreement, in 2020 Kazakhstan has committed itself to reducing oil production by 23% in July, by 21% in August-September and by 18% in October-December. Due to the significant share of gas condensate in the production structure (11.9 million tons in 2019), which is not subject to OPEC + restrictions, in 2020, the production of liquid hydrocarbons in Kazakhstan decreased by only 5.4% (a decrease of 4.9 million tons by 2019).

In 2021, the volume of production of liquid hydrocarbons in Kazakhstan will increase to 86 million tons. This forecast is based on voluntary production adjustments following the March 2021 OPEC+ meeting. Growth in liquids production will begin in 2022 as global oil demand recovers to 2019 levels. The main increase in the production of liquid hydrocarbons will be associated with the implementation of the future Tengiz field project, according to which production is forecast to increase to 41 million tons in 2025. The total volume of production of liquid hydrocarbons in Kazakhstan in 2025 will be 100.7 million tons. 72% of the total production is occupied by three giant fields: Tengiz, Kashagan, Karachaganak (2020: 63%, 2014: 47%).

Now let us move on to the next step of describing the technologies used in the production process.

During the interview conducted with the CEO of the company, Vitaly Zenkin, it was stated that in the internal research that the company conducted itself in the past years, it was defined that the technologies people use on the market in Kazakhstan are similar to ones that Russians use. This fact will be able to ease the adaptation process of the company on the new

market and therefore will allow TransService to put less effort in adjusting their technologies to the new market and thus spend less money on the employees training. All of this will allow the company to adapt faster on the new market.

Consequently, the conclusion about the rationality of expanding to Kazakhstan in terms of technological factors can be made.

LEGAL FACTORS

As it was mentioned above at the part where political factors are being described, both countries, Russia and Kazakhstan have similar legal systems and that fact can very much ease the process of entering the Kazakh market for TransService, as it will not take that much time and effort from the legal department of the company to examine the legal system of a new country and define the best ways to set the activity of TransService in Kazakhstan.

2.3 PORTER'S 5 FORCES ANALYSIS

In this part of the project the market of Kazakhstan, the area of the Tengiz oil and gas field in particular, is going to be evaluated. In order to analyze the market, define the possible power points in the competition and also assess the profitability of the market. The subject of this analysis is the oil and gas industry of Kazakhstan. After conducting Porter's 5 forces analysis, the results are going to be used in expansion strategy formulation in the third chapter. The Porter's 5 forces model consists of five factors as the primary drivers of competitive pressure inside an industry: competitive rivalry, threat of new entry, threat of substitution, supplier power and buyer power. Each of the factors are going to be described in more detail further on during the analysis.

Understanding Porter's Five Forces and how they relate to an industry may help a firm adapt its business strategy to create better use of its resources and create higher income for its shareholders. [13]

In order to perform comparative analysis, scores from 0 to 5 were implemented. In this case 0 indicating a moderate effect of the factor and 5 indicating a high influence of the factor.

FORCE 1. COMPETITIVE RIVALRY

The first factor that is going to be analyzed in terms of Porter’s 5 forces model is the intensity of competitive rivalry. The greater the number of rivals, as well as the number of comparable products and services offered, the less powerful a company is. Suppliers and buyers check for a company's competitors to see if they can provide a better deal or charge less. When competitive rivalry is minimal, a corporation has more authority to charge higher prices and control the conditions of transactions in order to increase sales and profits.

To perform a comparison analysis, Kazakhstan's Tengiz oil and gas field was rated from 0 to 5, with 0 indicating a moderate effect of the factor and 5 indicating a high influence of the factor. Below you can see the table conducted with evaluation factors of competitive rivalry.

Table 9: Comparative analysis of competitive rivalry

Evaluation factors	Points
Number and power of players	4
Number of new entrants	1
Firm concentration ratio	3
Industry growth rate	3
Demand trend	4
Overall evaluation	3 → medium

At present competitive rivalry is at a medium level in the market. According to the official website KazService, which is the website of the Union of Oilfield Service Companies of Kazakhstan [14] in the logistics and services section as for 2021 there are 99 companies

that can be considered direct competitors in the market of Kazakhstan. The biggest part of the presented companies are local companies that have been operating in Kazakhstan for many years. The majority of market share is taken by local companies. Also the number of new companies that are entering the market has been decreasing since 2020, when the global pandemic started. As it was mentioned at the beginning of chapter 2, total industry growth rate and demand growth rate are both strong, which mitigates the competition level.

FORCE 2. THREAT OF NEW ENTRY

The next factor is the threat of new entries. The force of new entrants into a company's market also has an impact on its power. The less time and money it takes a rival to enter and compete in a company's market, the more an established company's position may be dramatically harmed. An industry with high entry barriers is beneficial for existing enterprises in that field since the firm may charge higher rates and negotiate better conditions. To perform a comparison analysis, Kazakhstan's Tengiz oil and gas field was rated from 0 to 5, with 0 indicating a moderate effect of the factor and 5 indicating a high influence of the factor. Below you can see the table conducted with evaluation factors of the new entry threat.

Table 10: Comparative analysis of threat of new entry

Evaluation factors	Points
Level of investment and R&D requirement	3
Dynamics of the industry growth	5
Industry attractiveness	4
Capital requirement	3
Governmental support	2
Overall evaluation	3,4 → medium

The threat of new entry in our case is at medium level. First of all, due to the high cost of entrance in the industry. This business industry requires high costs for R&D, patent and

license attaining, etc. before entering the market. There is also service differentiation in the industry, so new market entrants must spend disproportionately big budgets on advertising and promotion. Attempts to occupy any niche in the market or compete by lowering prices also complicate entry into the market. [15]

Ousting low-tech companies from the market contributes to the growth of service efficiency. For small companies, barriers to entry into high-tech market segments appear to be very high, as significant investments in equipment and skilled workers are required. Moreover, this particular industry very much relies on technologies, therefore the competition is mostly led by technologies and not the prices. In order to be successful on the market, companies have to be able to implement their technologies in the most efficient way possible. The industry of oil and gas is fast growing at present times (described in the economic part of PESTLE analysis) and also there is a lack of economy of scale, therefore new entrants are possible to appear.

FORCE 3. THREAT OF SUBSTITUTES

The next part to be evaluated within Porter's 5 forces model is the threat of substitutes. Firms are threatened by substitute goods or services that can be offered in place of a company's products or services. Companies that manufacture products or provide services for which there are no close equivalents will have more leverage to raise prices and secure favourable conditions. Customers will have the choice to forego purchasing a company's goods or services if close replacements are available, and a company's dominance will be undermined.

In the case of TransService the threat of substitutes on the market is very low, approaching zero. Here the main factor would be the actual absence of substitute products. Due to the specifics of the industry, substitute products can be only connected to an alternative energy source per se. And it is right now more about the internal market, which mainly consists of mostly technological competition within the industry. [16]

FORCE 4. MARKET POWER OF SUPPLIER

The next step is to analyze the market power of suppliers. That element in the five forces model discusses how easily suppliers may raise input costs. It is influenced by the number of suppliers of a product or service's primary components, how unique these components are, and how much it would cost a firm to move to a different supplier. The fewer suppliers an industry has, the more a firm relies on a supplier. Subsequently, the supplier has more bargaining power and might raise input costs and seek other trade advantages. When there are numerous suppliers or low switching costs between competitor suppliers, a firm may maintain its input costs low and increase profit at the same time.

To perform a comparison analysis, Kazakhstan's Tengiz oil and gas field was rated from 0 to 5, with 0 indicating a moderate effect of the factor and 5 indicating a high influence of the factor.

Table 11: Comparative analysis of supplier power

Switching costs	2
Number of suppliers	2
Uniqueness of suppliers' products	2
Overall evaluation	2 → medium

TransServices' main suppliers offer the company fuels and lubricants, repair parts for the equipment and transport fleet and gasoline for the transport equipment. So the first factor to be evaluated in terms of supplier power is switching costs. Costs required for switching to another supplier are quite low, as the number of suppliers is big, which leads to lower switching costs. Also the products of suppliers are not unique, which also lowers the market power of supplier.

When we are talking about supplier power in this case, it can be claimed that the level is quite low due to a large number of suppliers in the market, a wide variety and choice of equipment, materials, fuels and raw materials.

FORCE 5. MARKET POWER OF CUSTOMERS

Now we are moving to the final element of the Porter's 5 forces model, namely the market power of customers. The ability that customers have to drive prices lower or their level of power is one of the five forces. It is influenced by the number of buyers or customers a firm has, the importance of each client, and the expense of finding new consumers or markets for its products. A smaller and more strong customer base indicates that each consumer has greater negotiating power to get cheaper pricing and better deals. A corporation with a large number of smaller, independent consumers will find it simpler to charge greater prices in order to boost profitability. [18]

In order to evaluate the market power of customers, the following factors which best represent the characteristics of the niche were defined: switching costs, number of customers, price sensitivity and buyer independence.

To perform a comparison analysis, Kazakhstan's Tengiz oil and gas field was rated from 0 to 5, with 0 indicating a moderate effect of the factor and 5 indicating a high influence of the factor. (See table 12)

Table 12: *Comparative analysis of buyer power*

Switching costs	4
Number of buyers	2
Price sensitivity	3
Buyer independence	4
Overall evaluation	3,25 → medium

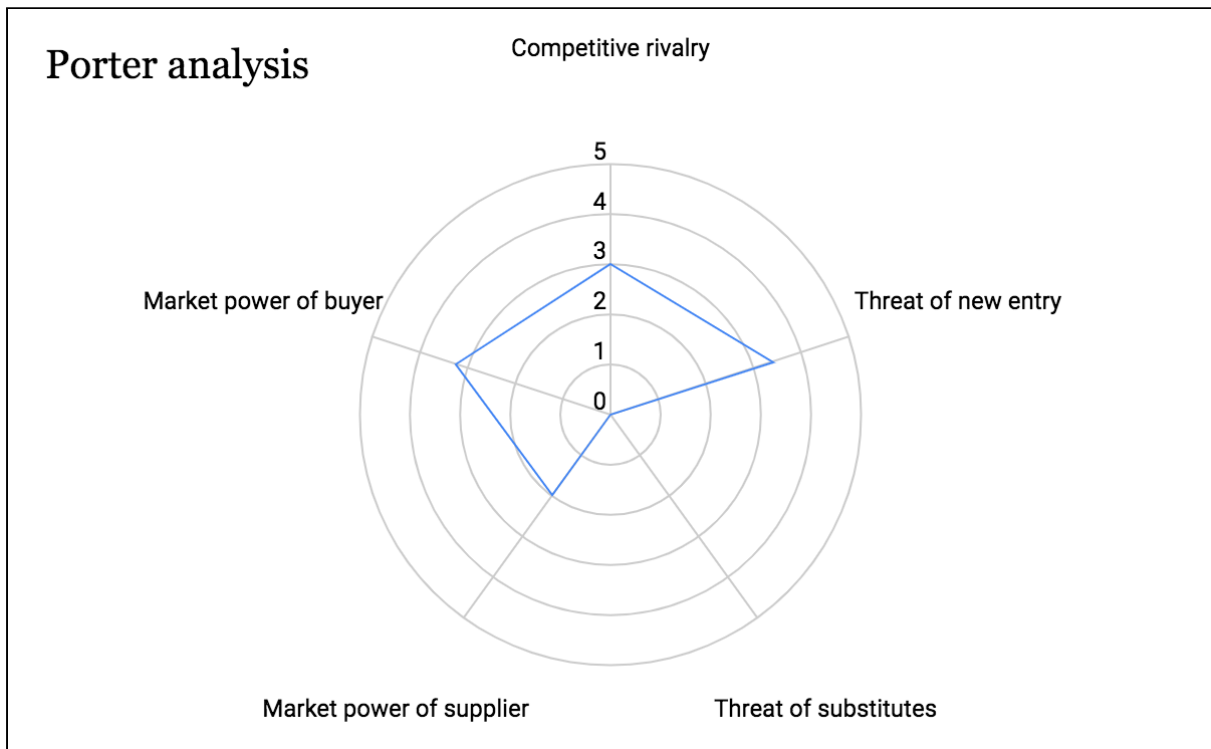
In this case, the market power of a customer is high. The situation is like that due to limited number of major customers in the industry, high price elasticity of demand, high level of customer awareness

First factor to be evaluated is switching costs. Switching costs include monetary, procedural, and interpersonal expenses. This implies that changing suppliers comprises not only changes in purchasing prices, but also the expenses of seeking for a new supplier, altering daily operations, controlling the impact of the move on corporate reputation, adapting product quality, and adjusting manufacturing methods. In our case the switching costs for buyers are quite low, which negatively affects the buyer power for TransService (the buyer power gets higher). The next factor would be the number of buyers. According to official sources, [32] the number of potential buyers, majorly consisting of oil extraction companies, is quite high, which makes it easier for TransService to find clients, thus positively affecting the buyer power. The next factor is price sensitivity. This relates to how sensitive purchasers are to price changes. When a price is too high for their demands, more sensitive consumers may switch to a new supplier. Organizations generally cut costs to keep these sorts of clients. In this case the price sensitivity is on a moderate level. And the last factor being evaluated in terms of the market power of buyer is buyer independence. Buyer independence, which is related to switching costs, refers to market conditions in which purchasers can acquire equivalent items or services from rivals. This ensures that purchasers are not forced to rely on a single company, which may encourage them to switch. In our case the buyer independence is on a high level, which raises the buyer power.

Thus, considering all the factors included into the buyer power analysis, we can conclude that the market power of buyer is on a moderate level and buyers have enough market power to switch to other suppliers who deliver the same services at lower price.

The results of the Porter analysis can be seen illustrated below:

Graph 1: Porter's 5 forces model analysis results



2.4 CONCLUSION TO THE CHAPTER 2

In conclusion, PESTLE analysis shows us that the base for the international expansion for TransService is favourable. Steady economic growth and growing GDP depict fertile soil for the company in terms of internationalization. Furthermore, appropriate taxes and overall growing market, which reflects in the growing amount of the oil being extracted nowadays, also create an enabling environment for the company, where it will be able to compete at a decent standard, additionally, European countries are moving towards refusal of Russian oil and gas, which leads to the increasing volume of oil and gas they purchase from other countries which produce oil, [46] thus, Kazakhstan creates more than favourable conditions for new companies to enter their oil and gas market.

Additionally, the political relationship between Russia and Kazakhstan creates a favourable environment for developing business between countries, which is absolutely an advantageous factor. Of course, some disturbing factors may occur, which could lead to complications in the process of international expansion of TransService. For instance, as the

market is regulated by the government to some extent, at the beginning it may be quite difficult for the company to find first orders on the Kazakh market. In order to ease that possible problem, I recommend TransService to find partners on the market to cooperate with and therefore facilitate the process of finding the clients who will bring good profit to companies. Even though TransService is new to the market of Kazakhstan, it will be much easier to find a partner and cooperate rather than starting looking for a client from scratch. The process of partnering will ease the process of adaptation of TransService in the new competition and also will help TransService to gain the reputation of a reliable contractor, which will basically prove their existing reputation that the company has on the Russian market. TransService occupies a certain niche in the market, so it will be no problem for the company to decide on the niche and identify points of strength that can help TransService to stand out among its competitors on the new market.

Regarding Porter analysis, that model illustrates the current situation on the market of Kazakhstan and potential favourable and disturbing factors in terms of international expansion of TransService. It depicts that the market is available for newcomers, however, saturation of the market is quite high, therefore the high competitive rivalry level. Here I would recommend TransService to focus on the competitive advantages that the company uses at present and think about possible ways to adapt those factors for future customers in the market of Kazakhstan. It will give additional advantage to the company in terms of providing convenient and beneficial conditions for clients. As TransService is ready for international expansion in terms of services they provide, namely the services are developed and are on quite a high level, I would recommend the company to start expansion sooner, while other Russian companies operating on the same market are thinking towards that direction. Thus TransService will be able to have an advantage of so to say a newcomer, so it will be easy to gain a certain market share.

Taking into account all the said above, it is rational for TransService to enter the market of Kazakhstan and continue developing the company on the new market. As a consequence, the next chapter is going to be focused on the expansion strategy development, which is going to include choosing of market entry mode, adaptation of the current business model of TransService and evaluation of effectiveness of the project.

CHAPTER 3. STRATEGY OF INTERNATIONALIZATION

The chapter №3 is the last and is devoted to development of the strategy of internationalization for TransService. This chapter is going to be divided into several parts: entry mode choice, business model adaptation for the new market, marketing plan, where the recommendations about marketing strategy for TransService on the new market will be given and financial plan, which is going to include funding description, financial prediction regarding TransService operating in the new market and the evaluation of the project effectiveness.

The first step in terms of the internationalization strategy development is entry mode selection for TransService. This part will describe the entry mode selection and the final choice of the most appropriate entry mode for TransService in terms of international expansion.

3.1 ENTRY MODE SELECTION

As part of determining the best way to penetrate the new market, the following possibilities were considered: franchise selling, branch opening and joint venture. [17]

In order to choose the best way for the company to enter the Kazakhstan market, each entry mode potential for implementing was assessed with the following criteria: initial investment needed, revenue sharing, market penetration, the amount of time needed for preparation and registration as well as an overall complexity of the implementation of a particular entry mode in terms of appropriate competencies and experience of the top management of TransService.

The following criteria were used to assess each potential entry mode: initial investment, revenue sharing, market penetration, preparation and registration time, and the complexity of implementing a certain mode of entry in terms of the availability of relevant managerial competencies and experience.

The first criterion in the framework of analysing entry modes is initial expenditure required to adopt a certain mode of entering the new market. The amount of money needed to begin a project or a firm is known as the initial investment. It is the sum of capital expenditures, working capital requirements, and after-tax earnings from assets sold or available for use elsewhere. Initial investment is a key factor to be considered when determining an appropriate entry mode for a new market. Initial investment term covers administrative expenditures as well as certain costs connected with a certain entry mode. [19]

The next important criterion to consider while choosing a proper entry mode for the company would be revenue sharing. Revenue sharing implies the distribution of income or loss between all the stakeholders. (Ross, 2021) In our case it shows the amount of revenue that a company can request if it chooses a certain way to enter a new market. In most cases revenue participation is established by the percentage of ownership and if we talk about franchising, revenue participation is established by the royalties size. In our case the best alternative for TransService would be to have the absolute right to profit with a little variance. [20]

The next criterion important while choosing the right entry mode is the market penetration. Market penetration is a measure of how much a product or service is being used by customers compared to the total estimated market for that product or service. (Kenton, 2021) It depicts the extent to which a certain entry mode lets a firm immerse in the country's cultural milieu and therefore allow the company to adjust its operations to given peculiarities of the local market. Various methods to enter a new market lead to different market penetration degree, varying degrees of product adaptation. Despite Russian and Kazakh markets being quite similar in terms of culture, TransService's marketing operations must be tailored to the specifics of Kazakh market. [21]

Another significant part when deciding how to join the international market is the time needed to register and prepare the company to start its activity. While deciding it is important to take into consideration all the bureaucracy required for the company registration as well as bank account creation. Also we have to consider the transaction expenses that may occur while the company will look for an appropriate partner to develop a joint venture or

franchising. The earlier the process of registering a business is finished, the sooner TransService will be able to start its operation activity on the new market.

And the last one among criteria to be considered while choosing the entry mode for the company is implementation complexity. Although the registration of a branch is a relatively easy operation, activities such as formation of a franchising or joint venture need significantly more knowledge and experience in that area.

Comparison of potential entry modes

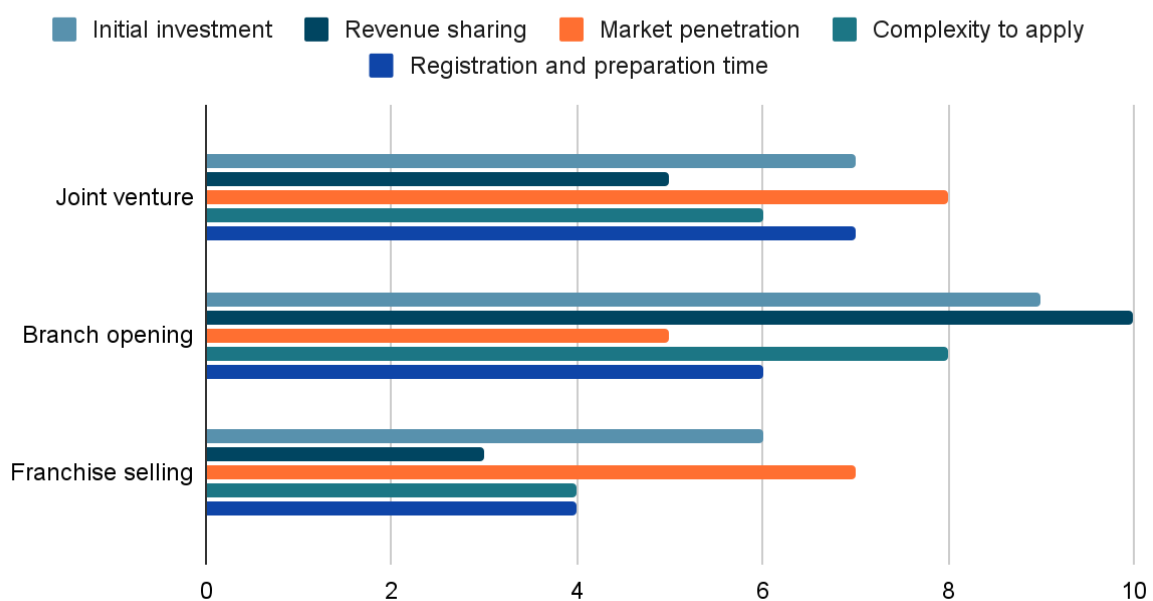


Fig. 13: Comparison of potential entry modes appropriate for TransService (compiled by author)

As follows, establishing a joint venture in Kazakhstan is the most attractive way to enter the foreign market, since its values more than others coincide with the indicated priorities.

Since TransService LLC is considered a mid-range business representative, the option of expansion through the opening of a franchise is not suitable in this case. It is not suitable, particularly because due to the specifics of the business, the process of opening and selling a franchise will be quite complicated and very costly. Also, due to the specifics of the business, quite large problems can arise, which can lead to a deterioration in the company's reputation.

Another reason against franchising, is that none of franchising variations are possible for TransService in terms of expanding the business into a foreign market, as during the interview with the CEO it was stated that the company is intended to get all the profit for itself to be able to invest in the new business unit.

Franchising requires a lot of control from the Russian office of TransService at the initial stage. Also for the franchising option it is necessary for the company to find a partner who will be willing to invest in an oil and gas service company, which is going to be very expensive for a person, therefore the franchising option is not an appropriate option for TransService to go to Kazakh market. Besides, this variant does not allow the company to fully control and acquire the income it is going to get from the activity on the new market.

On top of that, usually franchising is used for small sized companies in order to grow a market share. As TransService is a middle-sized company, franchising is not a very suitable option for TransService.

Although joint venture establishment is going to be more expensive in terms of initial investments, it is the most appropriate option for TransService in terms of international expansion, as it will allow the company to start operating from the very first step when the joint venture is established. Also a joint venture is going to be less costly than a branch opening, as the company will not need that much of an investment, as it is shared between the partners. It is vital to find a reliable partner who will be willing to invest in the company operating in the oil and gas services market in Russia to make it possible for the company to operate in Kazakhstan. Considering the pace of market development and demand for oilfield services companies, as well as the participation of government support in the industry as a whole, it will not be a big problem for TransService. At present, new oil and gas fields are being explored in Kazakhstan, as it was mentioned earlier in the paper. In this regard, large investments from the state and private companies are attracted to this market. All this makes it possible for TransService to enter the foreign market, while not remaining alone in the new environment, but to have a partner who is already familiar with the specifics of the market and has experience in the oilfield services market in Kazakhstan. It is also a win-win situation, as the potential partner will have a strong company to cooperate with, as

TransService has already gained a clear reputation while operating in Russia for almost 20 years now, so the profit will be guaranteed for all the stakeholders.

As a result, selecting a joint venture establishment as the final method of entering the market for TransService is logical and rational.

3.2 BUSINESS MODEL ADAPTATION

After choosing the most appropriate way to enter the market for TransService, it is essential to adapt the business model of TransService to the peculiarities of running the business in Kazakhstan. Therefore the next step within the international expansion strategy would be the adaptation of a business model for the new market. The company's business model for operating in the domestic market was used as a foundation, with appropriate revisions made afterwards. (See Table 13 below)

Table 13: Business model adaptation for Kazakh market

Problems	Solutions	Unique value proposition	Unfair advantage	Customer segments
A company operating in oil and gas services segment is looking for a company to establish joint venture with in order to create win-win conditions for both companies and gain certain market share in Kazakhstan	Well-proven company with wide experience in the field of oil and gas services segment	Opportunity to exchange experience with and work alongside with one of the leading companies in the Russian market, create a win-win conditions in terms of work and establish a powerful joint	Joint venture together with an experienced company with great reputation that has a great potential of scaling to other regions of oil and gas extraction.	Joint venture partner: <ul style="list-style-type: none"> • has experience and good reputation in oil and gas services segment • is interested to take part
	Key metrics <ul style="list-style-type: none"> • Compound revenue growth within the joint 		Channels <ul style="list-style-type: none"> • official websites of government orders • network of 	

	venture	venture to prove it on the Kazakh market faster than a single company	TransService's business partner in the established joint venture	in a joint venture <ul style="list-style-type: none"> • has sufficient financial facility
Costs structure <ul style="list-style-type: none"> • Brand promotion at early stages • Costs of doing international business (including initial investment, such as authorized capital and also costs such taxes, equipment maintenance) 			Revenue streams <ul style="list-style-type: none"> • clients payments from orders that the joint venture get 	

TransService remains the company who operates on the B2B market and the area of operation will also stay pretty much the same. The joint venture is going to focus on the B2B segment as well and operate in the oil and gas market in the oil and gas services segment. In order to make it possible, TransService is going to need to find a partner who has relevant experience, knowledge and expertise in the field where the joint venture is going to operate and sufficient financial facilities. Plus interest in this sphere, as they are going to work together and interact with clients, the joint venture partner will have to take half of the responsibilities that the established joint venture has in order to make the joint venture establish itself and become successful in Kazakhstan. This set of qualities may potentially increase chances for success of the joint venture in the Kazakh market.

Potential joint venture partner is looking for a well-proven, potentially stable company with great reputation and potential to develop in other markets. He certainly does not want to partner with a random company and at early stages requires maximum involvement of the TransService in order to create a reliable communication between business partners and lead the joint venture on a high level of services provision.

By establishing a joint venture, the potential business partner of TransService is going to have access to the whole experience of TransService in the sphere of oil and gas services which equals to almost 20 years of experience, expertise and network. The joint venture will create fertile soil for two companies to exchange knowledge and experience with each other. Due to similarities in technologies, social and cultural resemblance it will make a positive impact on the joint venture by implementing practices of two countries thus creating some extent of uniqueness of the services provided. All of this will allow the joint venture to develop further and expand the business geography within Kazakh market.

The costs structure consists of the brand promotion on early stages plus potential costs required while doing the business internationally.

The main source of revenue will remain the same as the current one of TransService, which is primarily payments from the orders that the joint venture receives.

As for the metrics to consider, the main one would be compound revenue growth in order to track the success of the company and define whether the project is overall profitable to run, what factors may potentially affect revenue for the joint venture, and how the expansion strategy may be adjusted in order to be improved.

When we are talking about main channels, in this case they are going to be the official websites of the government where tenders are placed, plus the partner of TransService will already have connections from its previous orders to warrant a base for the orders to get.

3.3 MARKETING PLAN

As TransService penetrates to the foreign market, one of the first steps to take when expanding abroad is to define the marketing strategy which will help the new joint venture make its brand more recognizable and visible for potential customers, therefore the company will be able to gain the reputation and the name faster. Short-term goal for the company is to increase the awareness of the brand in the market of Kazakhstan, while the long-term goal

will be to gain a certain market share which will allow the joint venture to operate in Kazakhstan successfully.

First of all let us start with the marketing campaign for a potential partner in the joint venture. During this period, TransService is going to look for a partner to work with. This primary stage is vital for further business development. During that time the company spends only its own money and time resources. The result of the whole project will rely on that first initial stage of finding an appropriate and reliable partner.

The main channels for finding a partner will be business support centers, participation in business exhibitions and forums on oil and gas industry and also a promotion through social networks.

Business support centers and business support networks have access to international businesses and therefore have connections and opportunity to find the most appropriate partner for establishing a joint venture.

Another way to find a business partner to establish a joint venture is to take part in various business exhibitions on oil and gas topic, where different businesses are present, who are potentially interested in creating mutual businesses which would be beneficial for both partners. Additionally, there is an opportunity for direct communication with potential joint venture partners. In Kazakhstan there are such exhibitions as “KIOGE” and “Atyrau Oil&Gas” as well as “Neftegaz” forum.

And the final way to find a partner for the joint venture establishment is to promote the company using such modern technologies as social networks. Nowadays social networks are becoming a more popular resource to be used among businesses of different industries.
[22]

It was decided that TransService starts with promoting the company for potential joint venture partners through a business support center, as it allows to promote the company and its idea to potentially interested joint venture partners. Furthermore, unlike exhibitions which are usually one-time and do not last very long, working with a business support center is more continual and does not necessitate the CEO's physical participation. For that case BGG

Group was chosen for providing the finding partner services for TransService, as they have a big base of companies, particularly in Kazakhstan who may be interested in establishing a joint venture. Moreover the company has a variety of companies: “cold” or “warm” who may require different extents of effort during the negotiation process. [24] The pack of services on finding a foreign partner includes: 1) request for materials 2) conducting a primary market analysis, identifying interest in this market 3) establishing communication with potential foreign partners through email mailings and initial telephone conversations 4) checking the business reputation of a potential buyer 5) organization of meetings in the videoconferencing format 6) entry into the conclusion of an export contract 7) providing a comprehensive report in electronic form and on paper. This service allows TransService to fully rely on BGG Group and choose the most suitable partner. During the negotiation with BGG Group the average price estimation from the company for such service of RUB 350,000 was announced. The campaign is not restricted with any borders, so it will be finished when the desired result is achieved.

Another way to look for a partner will be to use personal professional connections of TransService’s CEO to see if there are any people interested in joining the joint venture in Kazakhstan. It is free, but this option is more of an additional option, from which ambitious results cannot be expected.

And now we are moving to the marketing strategy for final customers of the joint venture. The joint venture is going to look for their clients mainly through public procurement websites where government companies post tenders in which potential suppliers can take part. But along with that the joint venture is going to need to gain the reputation and awareness, so it can serve more clients and develop business. That is why general marketing is needed, it will help the company to increase brand awareness and raise reliability level from potential customers.

Oilfield service companies should pay more attention to marketing strategies - in a highly competitive environment and predominantly establishing partnerships through direct sales, only effective marketing will allow the service business to succeed in the market. A possible way to develop marketing strategies for oilfield services companies can be integrated marketing, which includes, in addition to traditional market analysis, advertising, PR, sales promotion and the formation of a recognizable brand. [25]

The formation of a marketing strategy has its own characteristics:

- it is necessary to have significant managerial experience, rely on both intuition and common sense;
- it is necessary to take into account the factor of risk and uncertainty;
- a high level of knowledge and qualification is required;
- entails a large amount of strategically important information;
- the process includes the analysis of a lot of information, from which it is necessary to select only the relevant one, and make decisions based on it;
- it is necessary to develop an individual approach so that the company can succeed among competitors due to its strengths.

The need for marketing strategies for the oil and gas services business is due to the fact that in the absence of marketing plans, a company can spend much more budgets on projects that will not bring any results. The work of the marketing will allow the company to determine the most effective ways to find customers, create a recognizable brand and build a road map to achieve strategic goals. Evaluating the performance will give managers an objective picture and show the strengths and weaknesses of the organization. Thus, marketing implies not only analysis and timely adaptation to changing conditions, but also an increase in sales through advertising, PR, building strong relationships with customers, and is the key to successfully overcoming any potential crisis and entering new conditions for oil and gas companies.

Nevertheless, the main tools at the initial stages for the joint venture will be digital marketing, SEO in particular. SEO (Search Engine Optimization) is a set of works to develop the website, change its environment, analyze user behavior, aimed at improving existing positions for targeted queries (in search engines such as Yandex, Google, Yahoo and others), as well as obtaining good positions (in the TOP-10) for new requests of interest. The total number and popularity of the promoted requests directly affects the website traffic from the search and, consequently, the popularity of the website. This promotion method is one of the most difficult ones in terms of effective implementation. However at the same time it is one of the most efficient methods in terms of potential customer attraction. In Kazakhstan the most popular search engine is Google, as about 75% of the country's population use it.

Yandex is in second place with an index of 22%. [26] Therefore, the marketing campaign will be implemented mainly on those platforms.

Despite the good efficiency of SEO marketing methods, the full volume of marketing work cannot be done with just using only one method. It is mainly connected to the specifics of the industry and the fact that companies do not look for suppliers only through search engines. However, it is essential for the new joint venture to gain a reputation and increase brand awareness. Moreover, the CEO of TransService has no expertise in any kind of marketing, nor does anybody from the management team. Therefore it was decided to hire a marketing agency, who will take care of all marketing activities which will include advertising, PR, sales promotion and the formation of a recognizable brand. While searching for marketing agencies who have a good experience and who know all the possible specifics, risks and opportunities, ARTWELL agency was chosen. The main reasons for choosing that company were the fact that the company has broad experience in working with big companies, including state-owned ones, who work in the oil and gas field and the range of ARTWELL's services covers all the necessary sides needed for a proper marketing. During the negotiations the announced price equaled RUB 267,000 per month. All the prices mentioned above were coordinated with the CEO of TransService, he agreed that TransService has such finance resources for marketing expenditures, as the company needs the proper results and has no internal resources for reaching them. Money for the campaign are going to be taken from lump sum payment. [27]

Now, when methods for reaching potential joint venture partner and and customers for joint venture in Kazakhstan have been defined, it is vital to assess how profitable the project will be.

3.4 FINANCIAL PLAN

Before we continue with the project effectiveness evaluation, it is necessary to note that no financial constraints in initial investments were set in terms of the strategy development.

The goal of the project was to define the best strategy for gaining the most beneficial position in the niche of oil and gas services in two years. Financial planning is going to be

estimated only for the half of TransService’s responsibilities. [28] All the calculations made further are made based on the assumption that an investor has already been attracted.

Below you can see the main objects of initial expenditures which include:

Table 14: *initial expenditures*

costs for finding a partner service, \$	5000
business registration costs, \$	700
making of seal, \$	25
bank account opening, \$	116
premises rent costs (VAT excluded),	15428
office renovation and furnishing, \$	2452,5
operating costs, \$	37035,6
Initial investments	23 721,50

Initial investments are going to include: costs for finding a partner service, business registration costs, making of seal, bank account opening, premises rent costs, office renovation and furnishing, operating costs.

Office rent is going to be \$1543 (VAT included), thus that would equal \$18,516 per year. Office renovation and furnishing (including all the steps connected to renovation and costs for the furniture) will cost \$2452,5. Monthly operating costs will equal to \$ 37035,6. All calculations are shown further in more detail.

As for the choice of the main office location, the location of the main office is not very important, as the company’s operations are not dependent on where the office is located. Therefore the average price of an office place not in the city center in Nur-Sultan was taken into account. Office rent is going to be \$1543 (VAT included), thus that would equal \$18,516 per year.

3.4.1. Operations costs

As the company is going to run the business according to projects, its operations costs may vary, as different projects require different amounts of investment, therefore, operations costs will be different depending on the kinds of projects they currently work on. The operations costs are going to be estimated every year. The stable operating costs in this

project are expenditures for the office in Nur-Sultan, which is going to be the main office of the company in Kazakhstan.

The overall yearly operations costs in terms of office work maintenance are going to account for \$ 4767,6 monthly:

Table 15: Operating expenses

Expense line	Monthly expences, \$	Expences per year, \$
Office maintenance costs	1681,3	20175,6
Office rent (without VAT)	1542,8	18513,6
Cleaning services	95	1140
Office expences (stationery,water bottles, etc) without VAT	43,5	522
Employees' salary	3086,3	37035,6
Director	1050,6	12607,2
Accounting specialist	750	9000
Lawyer	964,3	11571,6
Secretary	321,4	3856,8
Operations costs	4767,6	57211,2

Monthly operating expenses

3.4.2. Costs of office renovation and furnishing

The company is going to rent an office space in Nur-Sultan, the capital of Kazakhstan. The office space is obviously not going to be furnished and renovated. So the company will have to consider certain expenditures for the office renovation and furnishing. Also it is necessary to buy basic office equipment. The table with all main expenditure can be seen below:

Table 16: Total renovation expenditures

	Units needed	Unit cost, \$	Total cost, \$
Reparation services			315,4
Tables	4	28,4	113,6
Chairs	8	20,6	164,8
Reception station	1	163,3	163,3
Computer	4	229	916
Wi-FI router	1	26,8	26,8
Cupboard	4	66,4	265,6
Microvawe	1	72,8	72,8
Electronic kettle	1	43,6	43,6
water cooler	1	162,8	162,8
Security camera	2	71,9	143,8
Fire alarm	4	16	64
Total			2452,5

Prices from wholesale warehouses were considered to estimate renovation expenses. Actual figures at the realization stage may be considerably lower. [31]

3.4.3. Legal form and taxes

As it was already mentioned, TransService is going to establish a joint venture, so in terms of legal form it is going to be an LLP, as there is only one option. Thus, the chosen legal form for the business in Kazakhstan will be Limited Liability Partnership (LLP).

During the deeper analysis various taxation system variants for business in Kazakhstan, Simplified taxation system was excluded from consideration, as it implies the average number of employees for the six months does not exceed 30 people, moreover, it also requires that the half-year income does not exceed 70,118,846 tenge (RUB 10,517, 827/ USD 150,255). Considering the industry where the joint venture is going to operate, these conditions will not be met. Consequently, the general system of taxation is going to be implemented for the joint venture in order to operate in Kazakhstan. [29]

Therefore, according to the general taxation system for LLP, taxes will consist of: Corporate income tax (CIT) 20%, VAT of 12%.

The company in Kazakhstan will also be obliged to pay social tax of 11% of the employer's expenses paid to employees and pension contributions to accumulative pension funds in the amount of 10% of the employee's monthly income. [30]

3.4.5. Revenue estimations

Moving on to the revenue part, we take into consideration the fact that the company was able to win a tender on sludge pit reclamation. The tender is going to take 1 year to finish and will cost \$214,285.

Company will have to invest in preparation for the project prior to starting executing the work. For the project purposes the company needs to buy 1 bulldozer, 1 excavator, 1 piece tractor with semi-trailer and 1 dump truck. In terms of workforce the company is going to need 3 drivers and a foreman. Additionally the company will provide its workers with food and a place to live. All parts of the project were calculated separately and added to the final table which can be seen further.

The company assumes 1 project for the first year of operations, 2 projects in the second year and 5 projects in the third year of operations. Each project needs to be calculated separately in terms of investments and incomes.

All estimations regarding the projects of the company that are going to be executed in the new market can be found in the table below.

Table 17: Overall estimations in terms of profitability

Показатель	UNITS	PERIOD, years				TOTAL
Статья		0	1	2	3	
Исходные данные						
INVESTMENT	USD	23 721,50				23 721,50
OPERATING INCOME	USD	0,00	214 286,00	412 840,00	857 144,00	1 484 270,00
SERVICE revenue	USD	0,00	214 286,00	412 840,00	857 144,00	1 484 270,00
OPERATING COSTS	USD	0,00	360 543,76	395 296,98	616 931,58	1 372 772,32
salaries	USD		91 899,60	95 319,60	211 887,60	399 106,80
Office maintenance	USD		37 035,60	37 035,60	37 035,60	111 106,80
Equipment	USD		125 477,00	120456,42	120 456,42	366 389,84
marketing costs	USD		45 771,40	45 771,40	45 771,40	137 314,20
Additional expenditures	USD		8 313,00	4 614,00	9 163,00	22 090,00
sales tax	USD		42 857,20	82 568,00	171 428,80	296 854,00
pension fund expenditures	USD		9 189,96	9 531,96	21 188,76	39 910,68
NET CASH FLOW FROM OPERATING ACTIVITIES	USD	0,00	-146 257,76	17 543,02	240 212,42	111 497,68
NET CASH FLOW	USD	-23 721,50	-146 257,76	17 543,02	240 212,42	87 776,18
NET CASH FLOW нарастающим итогом	USD	-23 721,50	-169 979,26	-152 436,24	87 776,18	87 776,18
Расчетные показатели						
Ставка дисконтирования в долях		0,13	0,13	0,13	0,13	
Приведенная стоимость	USD	-23 721,50	-129 431,65	13 738,76	166 479,26	27 064,87
NPV - Чистая приведенная стоимость	USD	-23 721,50	-153 153,15	-139 414,39	27 064,87	
PP - Срок окупаемости инвестиций	years		1,35			
IRR - Внутренняя норма рентабельности	%	22,19%				
Profitability index		1,14				

Taking into account all the said above, the payback period of the project is going to account for 1,35 years which equals approximately 16 months. Profitability index is 1,14 and IRR will be 22,19% which illustrates that the project is going to be profitable and is worth realizing.

CONCLUSION

To conclude, the international expansion strategy has been developed for TransService. At the initial stage it was necessary to assess the current situation of the company and its internal environment from the international expansion opportunity perspective.

Firstly, the current business model of the company was analyzed using the Lean Canvas base. It allowed us to understand the problems of customers as well as solutions which TransService offers and advantages of the company that it could potentially realize during the international expansion. TransService is a Transport company operating on the oil and gas services segment which allows their customers to stay out of the operations and not to supervise the company.

The next was to define potential scenarios for further development of TransService and during that stage it was defined that international market entry is a rational option for the company in terms of further development.

While assessing the readiness of TransService for internationalization, four groups of factors were considered during the internal potential evaluation: individual, internal (company-internal), industry-specific and external environmental. In consequence during the analysis it was defined that there are more assisting factors that illustrate that the company has potential for international expansion.

The following stage was devoted to the international market analysis and included three steps.

The first step was to describe the market, which was indicated as a potential market for internationalization. The market was described from the perspective of the oil and gas market development extent and potential opportunities for new entrants. Taken into account all the factors described at this step, the market appeared as attractive for TransService's international expansion.

The second step was to analyze the market from political, economic, social and technological factors. As a result the market of Kazakhstan showed favourable conditions for the international expansion of TransService.

During the third stage the Kazakh market was assessed taking into account the industry, so the analysis was industry-specific. The Porter analysis considered five forces: competitive rivalry, threat of new entrants, threat of substitution, market power of supplier and market power of buyer. As a consequence, the international market showed favourable conditions for the expansion in terms of industry specifics.

The third chapter of the bachelor thesis was devoted to the strategy of internationalization developing and consisted of three steps.

The first task was to choose the proper way to enter the new market for TransService in order to be the most appropriate and convenient for the company. The entry mode decision was made with several factors taken into account: market penetration degree, amount of initial investment needed, time for registration and the complexity of implementation. Joint venture was chosen as the most appropriate way to enter the market in Kazakhstan for TransService.

Then the business model of TransService was adapted to the new market. Not many changes in business model were implemented, as the company stayed in the B2B market.

The next step was to define the marketing strategy in order to find a proper business partner for the joint venture establishment as well as the strategy to implement for the brand awareness increase in order to help the company attract new customers.

And the final part was the financial assessment where it was defined that the project is profitable and is worth realizing. In this part the following factors were calculated: NVP, PP, IRR and PI. Profitability index was higher than 1 by 14% and defined at 1,14, Net Present value (NPV) with the discount rate of 13% was positive as for the result of three years. IRR was calculated and equaled to 22,19%. Payback period was defined at 1,35 years, which equals approximately 16 months. All of the mentioned factors lead us to the conclusion that the project of international expansion of TransService is going to be profitable which makes the whole project attractive for realization.

Thus, the goal of developing the international expansion strategy and creating a set of practical recommendations for TransService was completely achieved.

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