Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics

Diploma Thesis

Assessment of Economic Efficiency and Profitability – case study of the OC Rosneft Gas Stations Network

Author: Ing. Rustam Nasirov

Supervisor: Assoc. prof. Ing. Mansoor Maitah, Ph.D. et Ph.D.

CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

DIPLOMA THESIS ASSIGNMENT

Ing. Rustam Nasirov

Business Administration

Thesis title

Assessment of Economic Efficiency and Profitability – Case study of the OC Rosneft Gas Stations Network

---

Objectives of thesis

Assessment of the economical and operational efficiency and profitability of "Samaranefteproduct PJSC" and definition of the Society activity increase of the reserves efficiency and its competitiveness.

Methodology

Theoretical and methodological basis of the diploma work are the basic provisions of the theory of financial analysis about business subjects activity on the basis of the methods of analysis for identification of business activity efficiency reserves increase in the field of oil products retail realization.

The proposed extent of the thesis

60 – 80 pages

Keywords

Assessment, economical efficiency, profitability, investment, gas station, Russia

---

Recommended information sources

GRAHAM G., HARVEY C. (2000). The theory and practice of corporate finance: Evidence from the field, Journal of financial economics.

GRINBLANT M., TITTMAN S. (2002). Financial markets and corporate strategy, Second edition.

KHABAROV, M.A. (2004). Upravlenie kompaniei s pomoshch'iu EVA [Management of the company with the help of EVA]. Finansovyi director, no. 2.

VOLKOV D.L. (2008). Teoriya cennostnoorientirovannogo menedjmenia finansovii I buhgalterskii aspekti. Visshaya shkola menedjmenta.

Expected date of thesis defence

2015/16 SS – FEM

The Diploma Thesis Supervisor

doc. Ing. Mansoor Maitah, Ph.D. et Ph.D.

Supervising department

Department of Economics

Electronic approval: 24. 3. 2016

prof. Ing. Miroslav Svatoš, CSc.

Head of department

Electronic approval: 24. 3. 2016

Ing. Martin Pelikán, Ph.D.

Dean

Prague on 30. 03. 2016

Declaration

I hereby declare that I have worked on the master thesis titled "Increase of Operational Efficiency of the OC Rosneft PJSC Gas Stations Network" completely on my own under supervising of Assoc. prof. Ing. Mansoor Maitah, Ph.D. et Ph.D. and that literature and other information sources I used or cited are listed in References section and cited in the text.

In Prague, March 31st, 2016 …….

Ing. Rustam Nasirov

Acknowledgement

I would like to thank my supervisor Assoc. prof. Ing. Mansoor Maitah, Ph.D. et Ph.D. for his guidance, assistance, professional mentoring and valuable advices during the processing of my thesis and those who made this master thesis possible.

Assessment of economic efficiency and profitability – case study of the OC Rosneft gas stations network

Hodnocení ekonomické efektivnosti a ziskovosti-Případová studie Sítě čerpacích stanic ropné společnosti Rosněfť

Summary

Insufficient study of specifics of the processes of oil products network realization and also sharp need in increase of efficiency of marketing activity of the vertically integrated structures have defined the choice of the research theme, its subject, the work structure and logic of the material presentation.

The subject of the diploma work is research of the activity of the vertically integrated OC PJSC Rosneft corporation, shortcomings of the management of the oil products marketing network, working out of the measures directed on increasing of operational efficiency of the Company territorial division.

In chapter 1.1. peculiarities of oil products trade and the role of the financial indicators of the efficiency in the realization of the long-term strategy of the Company are considered. As a result of the carried-out analysis the author considers that ROCE indicator reflects "as quickly" and "with what expenses" the GS network forces the way of the resources more precisely. "As quickly" depends in the prevailing degree on the effective management of the business process which is under the authority of PJSC Rosneft corporation, and " with what expenses" depends on the effective management of the process. Therefore, **in chapter 1.2.** of the diploma work the analysis of the operational efficiency of one of the territorial divisions of PJSC Oil Company "Samaranefteproduct" has been carried out.

In **chapter 2.1.** of the research the measures directed on increasing of the operational efficiency of the "Samaranefteproduct PJSC" GS network" have been offered.

The author of the diploma work is sure that increase of the operational efficiency of the GS network will make it possible to provide the necessary level of return on the used capital and carrying out of the obligations before shareholders.

The keywords: GS network, operational efficiency, management of business efficiency, management of the process efficiency, ROA - Return on Assets, ROCE - Return On Capital Employed.

Souhrn

Nedostatečná studie specifik procesů síťového prodeje ropných výrobků, jakož i naléhavá potřeba zlepšení efektivity marketingových aktivit vertikálně integrovaných struktur určila výběr tématu tohoto výzkumu a jeho předmětu, strukturu diplomové práce a logiku prezentace.

Předmětem této diplomové práce je studie činnosti vertikálně integrované ropné a plynárenské otevřené akciové společnosti „Rosněft'", nedostatků v řízení prodejní sítě ropných výrobků, vývoj opatření zaměřených na zlepšení provozní efektivity územní divize společnosti.

Kapitola 1.1. popisuje zvláštnosti obchodu s ropnými výrobky a role finančních ukazatelů efektivity při realizaci dlouhodobé strategie společnosti. Výsledky provedené analýzy přesvědčily autora, že ukazatel návratnosti vynaloženého kapitálu (ROCE) přesněji odráží „jak rychle" a „s jakými náklady" se zdroje protlačují prostřednictvím sítě čerpacích stanic. „Jak rychle" z velké části závisí na efektivitě řízení podnikového procesu, který spadá do kompetence korporace „Rosněft'", ale "s jakými náklady" závisí na efektivitě řízení procesu. Proto v **kapitole 1.2.** této práce byla provedena analýza provozní efektivity otevřené akciové společnosti „Samaranefteproduct", která je jednou z územních divizí ropné a plynárenské otevřené akciové společnosti „Rosněft'".

Ve kapitole 2.1. studie navrhuje opatření zaměřené na zlepšení provozní efektivity sítě čerpacích stanic OJSC "Samaranefteproduct".

Autor této diplomové práce je přesvědčen, že zlepšení provozní efektivity sítě čerpacích stanic umožní zajištění požadované úrovně návratnosti vynaloženého kapitálu a plnění závazků vůči akcionářům.

Klíčová slova

Síť čerpacích stanic, provozní efektivita, efektivita řízeni byznysu, efektivita řízení procesu, rentabilita aktiv, návratnost vynaloženého kapitálu

CONTENTS:

INTRODUCTION

Thesis relevance. The urgency of the studying matters of the sharp increase of vertical-integrated business processes efficiency is defined by the sharp falling of oil product export revenue as well as by competition and toughening of the state supervision over the tariff policy and the quality of the oil products, realized through the gas stations (GS) network of the Russian petro-sales companies.

The work on business process efficiency increase in the majority of the companies is not conducted and the management is reduced to financial control over the oil products sale to consumers.

Insufficient study of specific character of oil products net realization and also sharp need in the sale activity of vertically- integrated structures efficiency increasing have defined the choice of the theme research , its subject and object, the structure of the work and logic presentation of the material.

The Degree of the Theoretical Development of the Problem. Fundamental works of foreign scientists :

R. L. Akoff, K. Ishikava, M. Mesarovich, Ya.Takahara, Hemdi A. Taha, R. Eshbi are the basis of up to date scientific-theoretical ideas on opportunities of making administrative decisions on the results of the economic analysis.

Methodical theses on formation of tools of the complex analysis of the condition of business processes have been developed by such famous domestic scientists-economists as: Bakanov M. I., Barkhatov A.P., Vakhrushina M. And, Gilyarovskaya L.T., Karpova T.P., KevorkovZh.A., Kondrakov N. P., Lyubushkin L.A., Mizikovsky E.A., Paly V. F., Podolsky V. I., ReshetovK.Yu, Horin A.N., Sheremet A.D.

The essential contribution to the methodology of use of the analysis to management of business processes of oil products supply has been was made by foreign scientists B. Polster, T. Russell, M. Wittsel. Russian scientists Alekperov V. Y., Buslenko N. P., Vasilyev S.N., Venttsel E.S., Glushkov V. M., Davletyarov F.A., Zoria E.I., Cantor F.M., Kovalenko V. G., Kopelovich A.P, Habarov S.R., Huramshin T.Z., Tsagareli D.V. have developed the whole number of the models and methods of management of complicated systems containing analytical tools. There are also specialized models for oil products supply processes, described in works of Ivashchenko V.A., Kushnikov V.A., Rezchikov A.F. and Sharifov V. S.

The object of t he diploma thesis is the activity of the "OC Rosneft PJSC" network (further referred to as the Company) in Samara region of the Russian Federation.

The subject of the diploma thesis is increase of the operational efficiency of the "Samaranefteproduct PJSC" GS network" (further referred to as the Society) that is the territorial division of vertically integrated corporation Rosneft.

The objective of the diploma thesis is assessment of the operational efficiency of "Samaranefteproduct PJSC" and definition of the Society activity increase of the reserves efficiency and its competitiveness.

Proceeding from the objective of The diploma thesis its tasks have been defined which were reduced to the solution of the following maters:

• Peculiarities of the oil products retail trade of the territorial division of the vertically integrated company Rosneft in Samara region

• The system of the main indicators of economic efficiency of the Society has been formulated;

• The influence of the results of the operating activities of the sale network on the indicators of economic efficiency have been analyzed.

• The analysis of operational efficiency of the Society GS network has been carried out

• Reserves of growth of operational efficiency of Society are defined;

• The measures directed to increasing profitability and optimization of distribution costs of the Society GS network have been defined;

• General assessment of the offered measures economic effect has been given.

•The main results of the research have been stated, inferences and offers have been formulated in conclusion.

Theoretical and methodological basis of the diploma thesis are the basic provisions of the theory of financial analysis about business subjects activity on the basis of the methods of analysis for identification of business activity efficiency reserves increase in the field of oil products retail realization.

The following materials have been used in this work: - the Charter of "Rosneft PJSC", statistical data of "Rosneft Oil Company PJSC" and "Samaranefreproduct PJSC", special printed publications, the companies reporting for the period of 2011 - 2014.

1. Theoretical part.

1.1. Retail oil products trade, the system of indicators of economic efficiency and management of business efficiency.

1.1.1. Peculiarities of retail oil products trade and characteristics of the "Samaranefteproduct PJSC" GS network.

Nowadays the network of the Gas Stations (GS) is one of the perspective and constantly developing branches of business of Russia and the whole world.

Mainly systems of providing consumers with oil products of interregional or nation-wide levels or the CS of GS were considered in the works of these authors devoted to the networks of gas stations as objects of research. Appearance of new types of the refueling equipment and motor fuels, steady growth of motor transport streams, broad application of automated control systems and development of regional GS networks cause the necessity to carry out the system analysis and creation of new models and methods in order to increase efficiency of the studied systems. Besides, in nowadays conditions accounting of interaction of objects, processes, events and occurrences of various nature that was required earlier to a lesser extent is becoming more and more important.

The object of this diploma thesis represents a difficult, territorial distributed, hierarchical system.

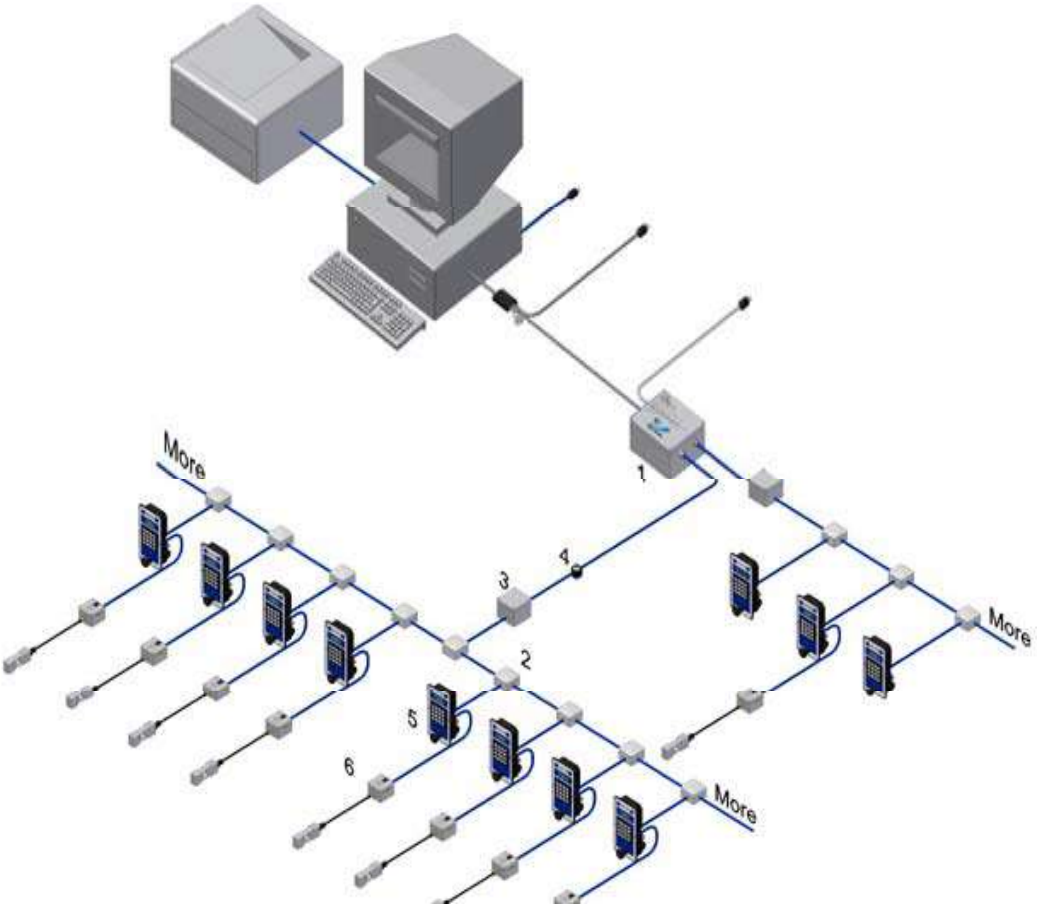
The problems of networks of gas stations is in the complexity of the purposes, influences and limits of the environment, system and interactions between them, variety and heterogeneity of objects, processes, events and the occurrences of various nature, high density of information (I), material (M), financial (F) and power (P) streams and need in increasing of management efficiency.

Today the GS market is characterized by the following peculiarities:

- increasing of the road transport network for cargo streams is intensively extending;
- the park of cars grows steadily, that is to say the capacity of the Russian oil products trade market has essential reserves of extensive growth. GS is one of the high-growth and profitable branches of business;
- the retail oil products business is done by the net of "jobbers" (when a business is independent) or a firm opens under the trademark of any oil company (the franchising relationship);
- tendencies of reduction of a private network is being observed in the market because of impossibility to provide high quality of the realized fuel along the all chain of delivery,

because of violation of the required standards and because consumers have changed perception of the large company brand for the worse. An important factor of reduction of a private GS network is increase of interest rates for borrowed funds, as a result of devaluation of the Russian ruble;

- the prevailing tendency is opening "direct daughters" of the large players. Moreover, many oil companies promptly think over plans of the gas stations network expansion towards intensification, trying to be in time to create own distribution network before the general prices for export oil fall down, that is to say there is a process of reorientation to the domestic market that strengthens the competition on the last;
- at the same time the number of the cars working on alternative fuel grows: gas, electric power. Use of the liquefied hydro carbonic gas (propane-butane) as motor fuel allows improving ecological characteristics of the motor transport which is especially important in big cities. Besides, the cost of LHG is twice lower than the AI-95 gasoline cost that causes the popularity growth of the cars using this type of fuel. In this regard, some participants of the market count on installation of the gas-filling equipment and on rendering services on gas cylinder equipment installation on cars. In this case it is already about the Multi -fuel Refueling Complex, which requires change of behavioral strategy in this sector of business;
- tendencies of the market monopolization are growing in this sector of the Russian business and the process of replacement of private business constantly goes on. The tendencies of the market monopolization confirm the statistical data: more than a half of gasoline retail sale and diesel fuel is provided by 4 largest companies: Gazprom Neft PJSC, OC Rosneft Oil Company PJSC, Lukoil PJSC and Tatneft PJSC. Monopolization of this market amplified in 2013 after “Rosneft PJSC” took up “TNK -BP PJSC”;
- the network nature of business processes in the companies ,being vertically integrated structures is defined by a big GS network grouped on a territorial sign into regional sale organizations subordinated to the managing company in questions of strategy. So “Rosneft PJSC” has a ramified GS network (2571 points 2377 of which are in the territory of Russia (Appendix 1);
- despite the high level of the limit income from retail realization of oil products which reaches 15-20%, in this market unfavorable trends of changing to the worse of provision with own current assets, active assets and material stocks are being observed.



Picture 1. Conception of network of gas filling station.

- The system is intrinsically safe, therefore all connections may be broken or cables be cut safely.
- When the system is intrinsically safe, simple components can be used in many places (cables, switches, T-connections, junction boxes), which reduces the price and makes the installation and the maintenance easier.
- The number of different electric components forming part of the network system is minimal (the same components are used in many places), which makes maintenance easier and minimizes the spare parts stock.
- The bus system is carried in a cable containing both power and data communication. The electrical conductors are twisted by twos so that power does not disturb the data communication.
- Data communication takes place via a standard RS485, which today is used in many industrial bus systems where it has proved its sturdiness as well.

- Socket-outlets and plugs between the individual CUC/HMI controllers and T-connections are according to standard RJ 45 (quick connection).
- The network can function without being connected to PC, which makes the filling process independent of a PC. Data communication can take place direct between the individual CUC-Ex units.

The peculiarities of oil products retail trade listed above complicate not only working out a competitive strategy of vertically integrated companies, but also lead to discrepancy of purposes of higher and a lower-ranking section of long-term and short-term objectives of the companies.

In general the Russian retail market remains attractive to businessmen. Today a Russian gas station serves much more clients, than in Europe. Small and average businessmen selling automobile fuel are quite often for franchise acquisition from a large company. The main advantage of retail oil products sale through GS franchiser is in the guaranteed supply of qualitative oil products at more or less stable prices and possibility to use a known brand. It is clear that strategies of a large network company, a businessman working on a franchising basis, or an independent businessman will differ significantly.

In the conditions of hard competition and toughening of the state control over fuels and lubricants the objective need to improve the selling organizations network system which will promote increase of the business operational efficiency is being formed.

“Samarnefteproduct PJSC” (further referred to as the Society) is a part of “OC Rosneft PJSC” corporation (further referred to as the Company).

The Society is in the Samara region which is the largest industrial center of the Volga region federal district. However in recent years the rates of its development are significantly restrained by the crisis in mechanical engineering area (nearly 50% of the total amount of industrial production) and stagnation in the oil-extracting branch (8% of the total amount of industrial production). On the indicator of the retail commodity turnover the Samara region is on the 2nd place in the district. The population of the Samara region makes 3,17 million people (the 2nd place in the Volga region and the 12th place in Russia),the urban level is 80%

Among other factors having essential impact on the oil products market state and capacity in the Samara region are:

1. Existence of the large transport arterial roads passing across the territory of the region. The most intensive highway of the Samara region is the federal M5 highway (Moscow-

Samara-Chelyabinsk) of 351 kilometers long with movement intensity of 19 000 cars per a day. The total length of 3 other federal roads is 353 kilometers with intensity of 17 300 cars per a day. From the highways of regional value It is possible to distinguish those ones which connect the Samara, the Ulyanovsk and the Saratov regions with the total length of 170 kilometers and 9 700 cars per a day [14, p.1].

2. Higher consumer ability of the population. The nominal average monetary income per capita in June 2014 made 21 499,5 rubles while on average in Russia for the similar period this indicator was equal to 18 183 rubles [15, p.1].

3. For the last 4 years the condition of the auto-park of the Samara region is characterized by low rates of increment that is a little bit more than 1% a year. During the same period the number of the cargo auto-park decreased by 500 units. The share of foreign cars in the Samara region for the last three years grew by 27% and made – 40,4% of the auto-park (at the average value in Russia of 43%). The average age of the auto-park of the Samara region is 9,1 years, and it is one of the youngest in Russia.

4. Changing of the oil products market in the Samara region during the period from 2013 to 2014. It is characterized by rather low growth rates of about 3% a year. And, the retail oil products market in 2014 grew by 14,5% in regard to 2011 while the wholesale market reduced by 6,7%. This tendency, on the one hand, testifies that the most part of fuel end users go over from the corporate sector to the service through the retail GS network. The production capacity in many branches of the national economy by the end of 2014 had not reach the level of 2008. Despite of this “Samaranefteproduct PJSC” succeeded to increase its share in the retail and the wholesale markets by 7% and 5% respectively.

“Samarnefteproduct PJSC” is a territorial division of Rosneft and is engaged in wholesale and retail realization of oil products. The retail network covers 95% of the Samara region territory.

In 2014 there in the Samara region worked in total 624 GS,78 of which are the territorial division of “Rosneft PJSC”.

“Samaranefteproduct PJSC” GS are distributed in the region the following way: 46 GS s are in the cities, 30 GS s are on federal highways and 26 GS s are in other places. There are more than 40 GS s of a new format with shops of expanded range of the accompanying services, 16 GS s without shops and 2 FBSs (floating bunkering station) for filling small size vessels. 7 GS units from the total number were preserved because of depreciation of

the fixed assets. The number of the involved mobile auto-park makes 17 fuel trucks, oil products transfer is carried out through 2 oil depots.

The prior activities of ”Samaranefteproduct PJSC” are implementation of the business plan on its main directions:

1. Realization of the bought oil products through the wholesale and retail network.
2. The small wholesale realization of oil products is carried out from two oil depots – “Kryazhsky” oil depot Samara Terminal Ltd and the “Syzran” oil depot Samara Terminal Ltd”.
3. Provision of reliable presence and gradual expansion of participation of retail and small wholesale realization of oil products in the market.
4. Fixing the leading positions in the market of oil products realization.
5. Optimization of expenses in the course of activity implementation.
6. Reconstruction of a refueling complex.
7. Guarantee of industrial, fire and ecological security of the oil product provision objects.
8. Improvement of the price policy.

Table 1.

The Structure of the Oil Products Market of the Samara Region on the number of the selling organizations		
The name of organization	**2014**	
	Quantity of GS /GC Structure	**(in %to the result)**
Rosneft PJSC	78	13%
LukoilPJSC	36	16%
TatneftPJSC	14	6%
BashneftPJSC	17	2%
Others	479	77%
Total	**624**	**100%**

The market of oil products in the Samara region is distributed the following way: the share of the vertically integrated oil companies (OC “Rosneft PJSC” is 78 units (from which GC (auto-gas complexes) is 59 units, GS (auto-gas station) is 16 units, GFS (automobile gas-filling station) is 1unit, FBS (floating bunkering station) is 2 units, OC “Lukoil PJSC” is 47 GSs, “Tatneft Ltd” is 17 GSs makes only 27%. The other 74% of the total number of GSs

(455 units) fall on regional players. The share of “Rosneft PJSC” on the number of GSs after TNK-BP taking up in 2013 makes 13%.

Table 2. The structure of the oil products market in the samara region on commodity turnover volume.

No	The name of organization	The volume of realization in 2014 th. tons	Share in the market %				
			2010	2011	2012	2013	2014
1	Rosneft	633	42	43	43	53	51
2	Lukoil	220	7	8	8	13	18
3	Bashneft	87	6	4	4	7	7
4	Gaspromneft	21	0	0	1	2	2
5	Others	272	45	45	43	25	22
Total:		**1233**	**100**	**100**	**100**	**100**	**100**

On the volumes of realization in the region the share of the vertically integrated oil companies (OC “Rosneft PJSC”, “OC “Lukoil PJSC”, “TNK Ltd”, “Tatneft Ltd”) makes 53%. Only 47% of the retail oil products market of the Samara region fall to the independent regional networks. But the share of Rosneft in the gasoline sale of in the region makes 56% and the diesel makes 61%.

For the recent years in the Russian oil products supply market there occurred the processes which have expressed in the following changes:

1. Consolidation of the branch that is integration of the operators of the oil products retail market at decrease of the total number of participants.
2. Qualitative growth of the clients’ needs that is much attention has begun to be paid to the fuel quality and the service level.
3. Decrease in profitability that is the level of a retail margin on oil products is at lower level, than the average on the trade branch. According to Rosstat the average level of the trade extra charge in the 4th quarter of 2014 made 27% [12, p. 1.], at the same time according to IAT "Cortés" the average retail extra charge on oil products in 2014 was fixed at the level of 16% [13, p. 1].

1.1.2. The system of indicators of economic efficiency of the activity of the oil products selling network.

Dramatic decrease in the world price for oil and oil products and rise in price of credit resources creates considerable difficulties to large corporations. And their attention will switch from foreign markets to the internal. In recent years the strategic task of corporations in the domestic market has been to capture a share of the market that provided not only covering of the growing expenses, but also growth of the net profit.

In recent years the oil products retail trade market has been becoming more and more competitive, and the total number of players is constantly decreasing. Small companies have gradually to leave the market because only existence of a large number of GSin the network allows making business profitable. Besides retail networks, large companies specializing on oil products trade, Russian oil and gas holdings, and also the Russian structures representing the western brands — BP, Neste, Shell and others occupy a noticeable place in the market. High extent of competition in a certain degree stipulates saturation of the market and leads to relative stabilization of prices.

The obligatory component at assessment of any business process is development of a correct set of key indicators of efficiency. This set of indicators will estimate the efficiency of the constructed system in comparison with alternative systems.

The system of indicators of the “Rosneft PJSC” efficiency assessment is created taking into account the specific character of the vertically integrated company organization.

Key indicators of efficiency translate the company strategy into the language of measurable economic indicators and reflect the efficiency of business processes. It means that it is necessary to direct strategic efforts to growth of KPI in everyone business segment.

Besides strategic indicators, a set of financial performance of the company activity on which it is possible to judge of profitability and profit-making capacity of business, on the one hand, and efficiency of use of resources, on the other hand is defined.

The indicators characterizing profitability and profit-making capacity of activity are already mentioned above indicators of revenue, net profit, EBITDA, marginal profit. The indicators characterizing the efficiency of resources use is profitability of assets, profitability of own capital, turnover of assets and turnover of commodity stocks. Depending on specific character of the company business, a various set of financial

performance can be used. So, indicators of the marginal profit, turnover of the warehouse stocks are most important for the GS network; for a group of companies, working in different regions with different conditions of the taxation, an important indicator is EBITDA which gives the chance to compare the efficiency of management work of companies operating in different conditions.

Financial indicators of a company activity are calculated on the basis of three main administrative reports: The Report on Income and Expenses (IER), The Report on Cash Flow (CFR) and the Administrative Balance (AB) which completely reflect the financial condition of the company within the current period. These reports are connected with each other in such a way that they forma closed administrative contour. Any financial information, getting into one report, this or that way is reflected in two others and thus completeness of information reflection in the administrative reporting is reached.

Let's consider each of three reports in more details:

The Report on Income and Expenses.

In the Income and Expenses Report (IER) the net profit earned by the company within the reported period is calculated. The specific character of IER is that there are reflected the income recognized as earned within the current period and the expenses also recognized within the current period. The income is considered as earned and the expenses are considered as spent, if within the current period transition of the property right from the seller to the buyer has occurred or in the case of cervices when the act on service turning over and acceptance has been signed. The moment of the income and expenses recognition can be not at the same time when the actual payment is being done i.e. when money has entered the account or when money has been written off from the account of the company.

The resultant indicator of IER is the Net Profit which is the indicator characterizing the company efficiency within the current period.

The example of IER structure for the GS network is given in Table 3.

Table 3. Analysis of Changing of Indicators in the Profit and Loss Report of the Society for 2014.

Name of the line of the form №2	Within the reported period	Within the similar period of the last year	Changing	Changing in %

Revenue	20 990 911	24 810 105	-3 819 194	-15,39
Cost sale	(18 156 342)	(21 927 573)	-3 771 231	-17,20
Marginal profit	2 834 569	2 882 532	-47 963	-1,66
Commercial expenses	(1 191 240)	(1 084 189)	107 051	9,87
Administrative expenses	(255 737)	(233 610)	22 127	9,47
EBITD Profit (losses) from sales	**1 387 592**	**1 564 733**	**-177 141**	**-11,32**
Profit from participation in other organizations		508	-508	-100,00
% to be received	518	4 527	-4 009	-88,56
% to be paid	(2 396)	(5 888)	-3 492	-59,31
Other incomes	42 607	34 243	8 364	24,43
Other expenses	(167 981)	(113 445)	54 536	48,07
Profit (Loss) before taxation	**1 260 340**	**1 484 678**	**-224 338**	**-15,11**
Current income tax	(279 726)	(318 488)	-38 762	-12,17
Income of the previous reported periods	(10 134)	(1 749)	8 385	479,42
Changing of the deferred tax obligations	(1 972)	(3 627)	-1 655	-45,63
Changing of the deferred tax assets	4 810	3 748	1 062	28,34
Net profit (loss) within the reported period	**983 966**	**1 175 314**	**-191 348**	**-16,28**

Let's sort in more details what the IER tells us about and what indicators of the company activity we can calculate on its basis.

Sales with the VAT are the total revenue from the company sales received from buyers. To see, how much revenue has been actually earned, it is necessary to reduce its size by the VAT sum therefore the Sale indicator without the VAT is more informative. Subtracting the cost of sales and variable commercial expenses from the sum of the sales (i.e. the cost of production and the cost of the sale of the production realized within this period) we will have the indicator of the marginal profit. In this case this indicator says to us only about how much profit remains at the company to cover its constant expenses (i.e. the costs which it have in the course of its activity which is not attached to the volume of the sales).

After calculation of the marginal profits it is possible to calculate such indicator often used in the companies as profitability of sales.

Profitability of sales = marginal profit / Revenue from the sales

It is seen from the formula that profitability of sales shows what percent of the profit in the takings from sales or in other words, how many kopeks of the profit have been earned in each ruble received from buyers. Profitability of sales or a margin of oil products in Russia makes 17-20%. In 2014 in "Samaranefteproduct PJSC" the margin grew by 5 items in comparison with the similar indicator of 2011 and made 13,5%. (against 24,5% on Rosneft PJSC).

Maintenance costs of the sales department, expenses on advertising and marketing, maintenance costs and service of the warehouse, and also the other expenses connected with the general activity of the company refer to constant commercial costs. Management personnel maintenance costs, other expenses for the organization functioning connected with servicing of the general activity refer to the administrative expenses. For more informational content commercial and administrative expenses are broken into separate articles of expenses, for example the costs of the main office renting, utility costs, salary of the administrative personnel, etc. It is clear that the level of constant expenses must be lower than the level of the marginal profit.

One more indicator which can be calculated in the IER is EBITDA. This indicator can be used to compare among themselves the of management efficiency of companies working indifferent tax zones and having different level of capital investments. However it should not be forgotten that the capital investments which aren't considered when EBITDA is calculated and when in IER its criterion is depreciation are often constants, i.e. equipment wears out and requires restoration. In this case exclusion of the result of expenses on depreciation from the financial results leads to distortion of this financial result. Therefore the indicator of EBITDA should be used with care.

Profitability of the company activity can be also calculated as a ratio of the Net profit and the Revenue, or the EBITDA and the Revenue. Therefore, comparing profitability of various companies among themselves, it is necessary pay attention to what concrete indicators of the revenue and the profit have participated in the calculation in order to escape any distortions.

For instance: in our example Profitability, calculated as ratio of the Net profit and the Revenue in 2014 made 4,7% (against 11,8% on "Rosneft PJSC") against 3,1% in 2011.

Cash Flow Report.

The cash flow of the organization within the reporting period is reflected in the Cash flow Report (CFR). CFR can be formed by two methods: direct and indirect. In CFR calculated using the indirect method the indicator of the Net profit of the organization is connected with receipts and payments of money. Within this diploma work this method will not be considered.

Using the direct method in CFR the sums of the received and paid money within the reporting period are reflected. The resultant indicator of CFR is the pure proceeding cash flow, i.e. that sum of money which remains at the disposal of the company for the end of the reporting period. The Cash Flow Report of the Society does not exist on the site. The example of CFR for the GS net is given in Example 2.

Table 4. ***CASH FLOW REPORT (mln. of rubles)***

Money at the beginning of the period

Cash flow on the current activity

Receipt on the current activity

Receipt from sale of goods

Receipt from sale of services

Total receipts on the current activity

Payments for the current activity

Payments for purchase and delivery of goods

Payments for marketing expenses

Payments on the personnel

Payments on warehouse services

Payments on premises

Payments on operational services and maintenance

Payments on communication and the Internet

Payments on the maintenance of motor transport park (except warehouse vehicle park)

Current payments on acquisition and the maintenance of office equipment

Payments on ensuring the current activity

Payments on services of the third-party organizations

Payments for taxes and fees

Other receipts and payments for the current activity

Total payments for the current activity

Total pure cash flow on financial activity

Cash flow on financial activity

Receipt of money on investment activity

Payments of money for investment activity

Total pure cash flow on investment activity

Money at the end of the period

Cash flow of the organization occurs in three main directions – the current activity (i.e. the cash flows resulting from the main activity directed to having profit), financial activity (i.e. the activity connected with attraction and allocation of the company funds, and also receiving means from the owners as well as the income payment to them according to the invested money) and investment activity (receipts/payments of money from realization/purchase of fixed assets, and also investments of the company into new projects and into other companies as well as receipts of money from the investments).

Balance of assets and liabilities.

The balance is the report showing the instant picture of the structure of assets and liabilities of the company for the reporting date. It is seen in the Balance report what the company possesses, i.e. its assets and at the expense of what borrowed and own funds its assets are provided. The Balance example for the GS "Samaranefteproduct PJSC" network is given in Table 5.

Table 5. Analysis of Change of the Structure of Assets and Liabilities of the Society for 2014.

Name of a line	Changein the natural expression				Change of specific gravity in assets/liabilities		
	For the beginning of the period	For the end of the period	Change	Change in %	Specific weight in assets/liabilities		Change in %
					For the beginning of the period	For the end of the period	
Intangible assets	201	132	-69	-34,33	0,00	0,00	0,00
Fixed assets	770677	686568	-84109	-10,91	17,63	18,00	0,38
Financial investments	70	70	-	-	0,00	0,00	0,00
Deferred tax assets	34680	29869	-4811	-13,87	0,79	0,78	-0,01
Other non-current	1166	1779	613	52,57	0,03	0,05	0,02

assets							
Stocks	1077549	955266	-122283	-11,35	24,64	25,05	0,40
The VAT on the acquired values	8285	7135	-1150	-13,88	0,19	0,19	0
Receivables	2430365	2072782	-357583	-14,71	55,58	54,35	-1,23
Money and its equivalents	49074	60081	11007	22,43	1,12	1,58	0,45
Other current assets	533	262	-271	-50,84	0,01	0,01	-0,01
ASSET	**4372600**	**3813944**	**-558656**	**-12,78**	**100,00**	**100,00**	**0,00**
Authorized capital	251	251	0,00	0,00	0,01	0,01	0,00
Reevaluation of non-current assets	3585	3551	-34	-0,95	0,08	0,09	0,01
Reserve capital	13	13	0,00	0,00	0,00	0,00	0,00
Retained earnings of the financial year	3398696	2896646	-502050	-14,77	77,73	75,95	-1,78
Deferred tax liabilities	20195	22167	1972	9,76	0,46	0,58	0,12
Other obligations	86068	-	-86068	-100,00	1,97	0,00	-1,97
Accounts payable	816681	830552	13871	1,70	18,68	21,78	3,10
Income of future periods	23183	29883	6700	28,90	0,53	0,78	0,25
Estimated obligations	23928	30881	6953	29,06	0,55	0,81	0,26
PASSIVE	**4372600**	**3813944**	**-558656**	**-12,78**	**100,00**	**100,00**	**0,00**

Such financial performances as, indicators of liquidity and a financial leverage, turnover of assets, turnover of stocks and receivables are calculated on the basis of the balance.

Indicators of liquidity characterize the ability of the company to repay its obligations in due time. Mainly these indicators usually interest potential creditors. The coefficient of the current liquidity is most often used for assessment of the company liquidity.

Coefficient of the current liquidity = Current assets / Short-term obligations

And also the coefficient of litmus paper which is calculated the same way as the coefficient of the current liquidity can be used except that instead of the sum of all current assets in the numerators there are only current assets possessing high liquidity: money, the easily realized securities and liquid receivables.

To understand, how effectively the company operates money, along with indicators of liquidity, indicators of a financial leverage, i.e. a ratio of loan and own capital are also analyzed.

Financial leverage= Debt on the credits / Own capital

It is considered that for the trading companies the size of the financial leverage equal to 2/3 is close to the normal. The higher the level of the financial leverage is, the higher dependence of the company on the loan capital is, and respectively, the higher the risk of the credits non-return is in a case of a sharp decrease of the market demand. A low level of a financial leverage says, on the one hand, about financial stability of the company, and on the other hand that it doesn't use opportunities to increase profitability of its activity due to attraction of borrowed funds.

Indicators of the company net assets turnover speak about the level of the capital management and is calculated as:

Turnover of net assets = Revenues / Average net assets within the period

The higher the company net assets turnover is, the quicker the net assets turn into revenue is, i.e. the better they are used.

Net assets = Assets – Short-term obligations

Important indicators of resource management are also indicators of stockpile management and receivables.

Turnover of stocks = Prime cost of the realized production / the Average size of stocks within the period

The higher the turnover of the company stocks is, the higher the operational efficiency is and the less the need for working capital for its organization is. The turnover of the stocks of the Society in 2014 made 22 days against 9 days in 2011, i.e. the essential decrease of efficiency has occurred.

Turnover of receivables (receivable turnover ratio) = Revenue / the Average size of receivables within the period

The turnover of receivables of the Society in 2014 made 11,6 against 8,1 in 2011 or in 2014 receivables remained unpaid 40 days against 30 days in 2011.

The indicators calculated for the company in general are useful to estimate the financial situation and the level of the company management, but they do not give the chance to see what contribution separate structural divisions and types of business make to the financial result.

In order to see the contribution to the financial result of separate directions of business, structural divisions or separate products or services, decomposition of indicators of the company financial activity is carried out, i.e. financial indicators of the company is broken into components and the contribution of each of the parts to concrete financial indicator is analyzed .

For example, one of the components of the company indicator "Net profit" in Example 1 is the Marginal profit. The marginal profit of the company can be calculated as the sum of marginal profit in the separate directions of business. So, counting the marginal profit of separate directions of business, we can estimate the contribution of each direction to formation of the Net profit of the company.

Table 6. The Main Types of Production, Works and Services of the Society.

Name of goods (works, services)	2014	
	The volume of product sales (thousandth)	Volume of the revenue from sales of production (works, services), without the VAT (thousand rubles)
Gasoline Super 98	1,66	65 500,59
Gasoline Premium 95	94,38	3 439 061,40
Gasoline Regular92	280,33	9 077 968,56
Gasoline Regular92 Fora	32,15	1 030 479,69
Diesel fuel (summer/winter)	210,36	6 471 457,68
Diesel fuel (summer/winter) Fora	2,35	77 342,68
Gas(SUG)	2,00	49 110,37

Other oil products	10,12	296 743,74
Realization of a companying goods	0	483 246,09
Total:	**633**	**20 990 910,78**

Classically, the marginal profit is calculated as the difference between the revenue and the variable expenses. In my opinion, it is also useful to calculate the indicator of the marginal profit which will include not only variable expenses on the separate direction of business, but also all direct costs connected with this direction:

Marginal profit in the direction of business = Revenue on this direction of business - Direct costs on this direction of business.

This indicator gives a chance to see the contribution to the financial result of the company of this direction of business because having refused from this direction the company stops to receive revenue and to carry out all direct costs connected with this direction of business. On the basis of the indicator of the marginal profit in the direction of business it is possible to calculate its profitability:

Profitability of the direction of business = Marginal profit in the direction business/Revenue in the direction of business:

If the indicator of marginal profit is quantitative, i.e. it shows the deposit sum to cover the constants, or, in this case, all-firm expenses, the profitability shows us the efficiency of the resources use and the higher the profitability of this direction is, the more effectively the resources are used there.

Responsibility for each of groups of indicators should be distributed between the heads of all levels of management. When using the model of indicators of activity where both financial and non-financial key indicators of efficiency enter, it is possible to recommend to distinguish the following groups of key indicators of activity:

- financial and economic indicators for business in general;
- satisfaction of clients;
- main and auxiliary business processes;
- efficiency of the personnel.

The set of key indicators of efficiency also depends on the management development level in the framework of the concrete company. Development of the key system indicators efficiency is a necessary factor to be taken into consideration when the network of delivery is being developed. To realize the systematic approach of key system indicators efficiency

development it is offered to combine financial and non-financial, qualitative and quantitative indicators. It is possible to distinguish six main aspects: financial value, environment protection, information value, level of consumer service, expenses and flexibility of operations.

Table 7. Indicators for assessment of efficiency of the integrated delivery chain.

Factor	*Indicator*
Financial value	*Profitability of assets (ROA)* *Profitability of use of own capital (ROCE)* *Profit growing, % (PGR)* *Marginal income from use of assets*
Information value	*Level of use of information* *Availability of information*
Consumer service	*Share of the Lost Clients* *Level of satisfaction of clients* *Production value level for the client*
Expenses	*Expenses on materials and accessories* *Expenses on the personnel* *Expenses on information* *The expenses falling on fixed assets*
Flexibility of the operations	*Time of Order Implementation* *Flexibility of change of production configuration* *Flexibility of delivery* *Flexibility in giving necessary volumes of order* *Speed of processing of the arrived order*

Solution of the problem - definition of the main key indicators of efficiency.

Thus, it is possible to develop the system of key indicators of efficiency which will provide managers support to make decisions. In time decision-making at an enterprise is a key process of development of business. To provide support the process of decision-making it is necessary to deliver responsible people reliable information both on the current situation and on the opportunities existing for the right moment and for the future which must be actual and balanced.

1.1.3. Management of the GS Net Operational efficiency: resources and business processes.

The new reality requires change of priorities from heads of companies. Questions on not simply management of income and decrease of expenses but effective management of the company assets profitability and management of business expenses efficiency come on the agenda.

Management of business efficiency is a complex of management tools which makes it possible to accelerate growth incomes, promote reduction of operational expenses and maximize return on the ownership capital. The main tools in the system of efficiency management are financial management, administrative accounting, budget planning and control, management of business processes, motivation of the personnel and etc.

Efficiency is an assessment of the case when the requirements of the consumer have been met and it is necessary to estimate how much economically the company has used the resources to reach this necessary level of the client satisfaction. Clients must be the main reference point for an enterprise. In most cases clients don't receive any direct gain from reduction of expenses within a chain of deliveries by the enterprise because the price for products incidentally falls down very seldom.

All components of the efficiency management complex act and give result only in close interrelation with each other. We will try to prove it.

The final goal of the companies functioning is profit maximizing, which they can get on the invested money at reasonable compromises between short and long term goals (i.e. achievement of strategic objectives) and preservation liquidity of the enterprises.

We do not consider the questions of development of strategy and formation of strategic objectives in this diploma works. Let’s concentrate on the question "How most effectively it is possible to realize the company capacity in the market", i.e. to provide maximum profit on the invested capital under preservation of liquidity.

Now operational efficiency comes out on the first place. Under operating activities is implied organization of the enterprise activity in the most optimum way within the existing strategy. The character of the operating activity of an enterprise is defined by specifics of economy of the branch which it belongs to. The basis of the operating activity of majority of the enterprises is production and selling activity.

Advantages in operating activities can be reached at the expense of exception of superfluous operations, use of progressive technologies, motivation of the personnel, optimization of production or offer a product in demand on higher price. Such distinctions in operating activities are the main reason for differences in profitability of the companies working in one market because they directly influence the level of expenses. Efficiency, unlike productivity, characterizes the activity or the process from the point of view of the resources spent for result receiving within a certain period of time.

Operational efficiency is improvement of production quality (services) at simultaneous decrease of expenses, i.e. operational efficiency is efficiency of use of the company internal resources.

The first step to increase operational efficiency is definition of the long-term strategic objectives of the company and the indicators (both financial and not financial) characterizing their activity) on which it is possible to estimate the effective management by the company.

Presently the most part of the Russian enterprises, unlike the advanced western companies, are aimed at profit maximizing in the short-term period. However such approach in the long term perspective is unprofitable therefore to estimate the efficiency of the chain of deliveries exclusively on the indicator of the cumulative cost is mistake. In spite of the fact that the level of costs directly influences profitability in general, it is only one of many other factors which must be taken into consideration.

Increase of operational efficiency is actual for large vertically integrated companies.

Successful creation of the system of business management efficiency in many respects depends on how thoroughly all management methods are thought over, how distinctly the heads of the company imagine all the chain of interrelations of material, information and financial streams, how clearly they see the parameters of optimization of these or those financial proportions and the business processes hiding under them.

The main indicator characterizing the effectiveness of the company management is the indicator of profitability of the ownership capital – ROE (Return On Equity).

It is the measure of efficiency of the ownership capital.

ROE is expressed as a percentage and calculated as:

$$\mathbf{ROA} = \frac{\boldsymbol{NetIncome}}{\boldsymbol{Shareholder's Equity}} \boldsymbol{x100}\% \qquad (1)$$

ROE is expressed as a percentage and calculated as:

If the ROE indicator is lower than profitability of the deposits or the low-risk securities, it is necessary to do something with the business management because in this case it is more favorable to the owner to keep money on deposit. The **ROE** indicator in "Samaranefteproduct PJSC" was 22,5% in 2014 having increased in comparison with 2011 by 0,7 items (percentage point). The value of this indicator is higher than the values of profitability of the deposits and this segment of business remains attractive.

What management levers can we use to increase profitability of the ownership capital?

There are three of them: profitability of the used capital (net operational assets), expenses on the capital and the quota of the owner (the ratio of the loan capital (LC) and the ownership capital (OC)).

Before considering these levers, we will consider the second main indicator of efficiency *ROCE* and its influence on *ROE*.

ROCE (Return On Capital Employed) – profitability of the capital or the measure of efficiency of its use. The used capital is also called "Net operational assets".

ROCE is calculated as:

$$\mathbf{ROCE} = \frac{\boldsymbol{Earningbeforetheinterestandtax(EBIT)}}{\boldsymbol{CapitalEmployed}} \boldsymbol{x100}\% \qquad (2)$$

"Capital Employed" as shown in the denominator is the sum of shareholders' equity and debt liabilities; it can be simplified as (Total Assets – Current Liabilities). Instead of using capital employed at an arbitrary point in time, analysts and investors often calculate ROCE based on "Average Capital Employed," which takes the average of opening and closing capital employed for the time period.

In2014 the ROCE indicator of the Society made 35,2%, having increased by 0,9 items in comparison with 2011.

Exactly the ROCE indicator gives opportunity to estimate the efficiency of the operating activity i.e. how effectively the company copes (how effectively the company operational management works) regardless the sources of financing of the activity. And the interrelation of *ROCE* and *ROE* shows the influence of the financing structure on capitalization and business risks i.e. how affectively external financing for increasing the welfare of shareholders is used and also how high the risks of the company and the shareholders when using external financing are.

The interrelation of *ROCE* and *ROE* can be got from the formulas of these coefficients:

$$\boldsymbol{ROCE} = \frac{\text{operational profit} - \text{interest on the credits}}{\text{Ownership capital}} = \frac{\boldsymbol{ROCEx}\text{the used capital} - \text{interests}}{\text{Ownership capital}} \qquad (3)$$

ROCE is the main lever of efficiency management of the use of the ownership capital. Two other levers are also present in the formula. They can be seen if it is transformed to the sight:

$$\mathbf{ROE} = \text{ROCE x}\frac{\text{the used capital}}{\text{Ownership capital}} - \text{Interestrate}x\frac{\text{The loan capital}}{\text{Ownership capital}} \qquad (4)$$

Obviously, the higher the operational efficiency of ROCE is, the potentially higher ROE can be, if:

- *the interest rate on the credits is below of the profitability of the operating activities. It is the sphere of responsibility of operational managers;*
- *the share of the loan capital is high (the owner quota is less) It is the sphere of responsibility of* the finance director.

From here appears the question if to borrow or not.

At pre-crisis time all people got used to the idea that attraction of the borrowed funds is good. But still*, in what case will the borrowed funds promote improvement of the activity efficiency?* It will be only in the case if the loan capital cost (% on the credits) is below than the profitability of the used capital. Otherwise loaning is unprofitable because it leads to decrease in profitability of the ownership capital in comparison with the profitability of the used one, and it means that the company management is inefficient. Before the crisis a loan was favorable for many companies even at high credit interest rates -the profitability of the used capital allowed (but who in general calculated it?). It is obvious that at the moment when credit rates are higher than 20%, and profitability has fallen lower than 15-20%, attraction of the loan capital on the current assets becomes unprofitable.

As this work is devoted only to assessment of efficiency of operating activities and doesn't raise the questions of the capital management, we will not investigate the effect of the financial lever which characterizes the possibility of receiving additional profit due to use of the borrowed funds. Besides, the decisions connected with attraction of the borrowed funds are accepted by “Rosneft PJSC “ and are outside of the control sphere of the subsidiaries operating the retail GS network use of the profitability indicator of the net operational assets is explained that it allows excluding the influence of the assets involved in financial activity from calculations.

Management of operational efficiency. As it was said above, the indicator of the operational efficiency is the indicator of *ROCE*. This indicator opens, what profits can be generated by the concrete size of the used capital. In the reality the following happens at the enterprise: some certain means (capital) are spent for purchasing the certain resources

(gasoline, personnel, equipment) which transform into the final product (consumer value) and are realized to buyers. The sales, in its turn, make profit:

→ ***Capital*** ⟶ ***Resources*** ⟶ ***Product*** ⟶ ***Sale*** ⟶ ***Profit***

From this follow two quite obvious questions:

- What revenue can be received per each ruble of the used capital from the sales?
- What profit can be got per each ruble of the sales?

The answer to the first question:

$$\textbf{Output capital ratio} = \frac{\text{Revenue}}{\text{The used capital}} \qquad (5)$$

The other name of the indicator of output capital ratio is "Turnover of capital", i.e. how many times the capital goes through the enterprise, generating the revenue. Output capital ratio in 2014 in the Society made 4,9 against 7,7 in 2011, having decreased by 2,7 items.

Answer to the second question:

$$\textit{Profitability of the operating activities} = \frac{\text{Operating profit}}{\text{revenue}} x\ 100\% \qquad (6)$$

The profitability of the operating activities in 2014 made 6,6 against 4,1 in 2011, the gain made 2,5 items.

Thus, making the start from formula (2), interrelation of *ROCE*, "*Output capital ratio*" and "Profitability of the activity" is as followed:

$$\textbf{ROCE} = \frac{Revenue}{Theusedcapital} \textbf{ x } \frac{Operatingprofit}{\boldsymbol{Revenue}} \boldsymbol{x100\%} \qquad (7)$$

Or

ROCE = (Output capital ratio)x(Profitability of operating activities)

In 2014 there was a decrease in the output capital ratio by 2,7 items. Such falling was compensated by increase of profitability of operating activities by 2,5 items and as a result the indicator of ROCE grew by 0,9 items for the analyzed period.

We want the both components to increase to have effective capital management.

The more sales which can generate this capital, the better, however we are interested only in the sales which make profit. Almost always it is possible to squeeze out more sales from

some certain sum of the capital by simply selling goods at a very low price. The problem is that the profit will also decrease respectively and, most likely, it will also lead to decrease of ROCE.

ROCE is the real indicator of financial efficiency of the company. Some best retail sellers have rather low rate of return from sales, but because they have a high productivity of the capital, their ROCE is also high. It is better to be the owner of such a company, than of that one which has a great rate of return but low value of ROCE.

For PJSC “Samaranefteproduct PJSC” the reserves of growth of operational efficiency should be "looked for" in the growth of the output capital ratio of the net assets.

Management of efficiency of business**: **resources and business processes. How can the output capital ratio and profitability of operating activities be managed?

When considering the chain of the capital transformation

Capital → ***Resources*** → ***Product*** → ***Sale*** → ***Profit***

We have noted that the enterprise spends the capital for purchasing some certain resources (fixed assets, raw materials, labor) which then will transform into the final product or service.

In other words, the indicator of ROCE displays how quickly we push the capital (obtaining resources) through the enterprise, generating the revenue (output capital ratio), and how much expensive the processes of "pushing through" (profitability of operating activities)are.

Here we are directly passing to management of operating activities – efficiency of the use of resources and efficiency of the processes (transformations of resources into the final product and its realization to consumers).

We will consider only those resources which are assets and are reflected in the balance of the company: stocks of raw materials, stocks of work in progress and finished goods, fixed assets. The efficiency of use of these resources is indicators "Turnover of fixed assets" and "Turnover of working capital" (including "Turnover of inventories" and "Turnover of receivables".

How can effective management of resources be organized? As it was said earlier, ROCE characterizes the speed of pushing resources through GS, i.e. it is actually it is necessary to concentrate on management of the stream or the chain of the main business processes

which are directly involved in creation of products or services (consumer value) for consumers and ensuring course of the stream.

Now it becomes completely obvious what optimization of processes or reengineering are necessary for and how to measure the results of their carrying out.

The main resources for GS are delivery of oil products to GS concrete points, reserves of automobile fuel and diesel fuel, and also the main process – sale of production to a client.

The GS network represents a complicated, territory- distributional, hierarchical system which is presented in picture 2.

Picture 2. Conception of divisions of vertical integration:

П - Gas Accumulators.

1. - Oil depot –нефтебаза.

2 П. – from GTS – the gas transmission system (gas pipeline).

3. АЗС – GS.

5. GS (gas filling station, filling with propane).

4. (CGS) (automobile gas filling compressor station, filling with methane).

6. private client – частный клиент.

7. corporate client – корпоративный client.

The scheme of CGS (automobile gas filling compressor station, filling with methane) functioning. Natural gas in the bringing gas pipeline has the pressure between 0,5 and 60 bars. A compressor rises this pressure to the level of 200/250 bars, according to the standards in each country. After compression, CNG (compressed natural gas — CNG) is stored in gas accumulators to guarantee at a (CGS) (automobile gas filling compressor station, filling with methane) the constant pressure for the gas which goes on sale. Fuel pumps are devices which quickly and reliably deliver CNG to vehicles. Each fuel pump has a couple of very resistant flexible hoses to provide simultaneous filling of two vehicles. This process is controlled in a complex by the control panel. This panel controls critical

modes, pressure levels, gas unloading from the compressor to the gas accumulators and also the use of the fuel pumps. Besides, the panel can register all data on the filling for the best control over the sales.

The Strategy of "Vertical integration" of the “Rosneft PJSC” GS network includes systematization of the management structure and increase of business processes efficiency along the whole chain from deliveries of raw materials before interaction with consumers.

1. Division on operating of oil products depot and storages, wholesales.
2. Functional division of logistic services: operating by fuel trucks, management of supply, service of auto-transport.
3. Division of operating by the network of AFS, GS and GS (gas filling station, filling with propane)
4. New division of operating by the (CGS) (automobile gas filling compressor station, filling with methane) filling station network
5. The operating structure: tender committees, managements of interaction with jobbers and contractors, groups of development of new products and services, others
6. Department of marketing: interaction with a private consumer, positioning of the network, cooperation with partner networks
7. Department of corporate interaction: sales in the corporate segment, development of projects attraction and retention industrial enterprises.
8. Management of interaction and development of contractual relationship with suppliers of raw materials. Implementation of projects on deliveries of branded products.

The significant share in the turnover of enterprises, carrying out sales of oil products begin being occupied by trade of concomitant goods and by rendering services (food, auto-service, washing). At present moment majority of GS belonging to large networks turn into multi-profile trade and service enterprises. Such factors as high quality of the realized fuel, trademark reputation in the market, the newest technologies of sales, high level of service, convenient location and diversification of goods and services in total will promote growth of sales of GS.

The shorter the production cycle (the main processes) is, the quicker the resources will pass through the enterprise, the more effective their management will be. Therefore when the methods of production management is being chosen, and together with them also the information system supporting these methods (SCM – a new class of systems "Management of the Delivery Chain", ERP – all known systems of "Planning of resources

of the enterprise"), it is necessary first to pay all attention to reduction of the production cycle – acceleration of business processes (passing of the resources stream through GS).
It will provide getting the result of the process for the minimum period of time, and it will provide the output capital ratio.
But there is one more aspect which is the efficiency of the processes, i.e. what expenses GS have in the course of the processes. These expenses are different than the cost of the resources "pushed" through GS. They are for example: salary of the production personnel, costs of movement, storage, delivery, sales promotion etc.
Such expenses are reflected in the group of the expenses corresponding to the concrete business process in the Income and Expenses Report and are estimated as it was already said above, as the indicator of Profitability of operating activity.

The main components of Profitability of the operating activities:

- The norm of the gross profit (or the coefficient of the marginal income);
- The coefficients of the operating expenses.

The levers of management of profitability of the operating activities:

- maximization of the marginal income;
- decrease in operational expenses.

Maximizing of the marginal income is carried out by formation of portfolio of production where the main priorities are given to the products with the maximum coefficient of the marginal income. In order to prepare and realize such decision it is necessary:
1. That the system of administration accounting contains information necessary for decision-making (calculation of prime cost on variable expenses);
2. To change the product strategy. Change of the portfolio of production is change of the strategy;
3. To change the process of sales and motivation of the sales personnel in order to sell the production with the highest coefficient of the marginal income. It will define the efficiency of process of sales.

In order to manage the other main processes it is necessary:

- to distinguish these processes, proceeding from the logic of creation of consumer value;
- to carry out classification of expenses (variables and constants) in connection with business processes; to distinguish the drivers (or factors) influencing the change of expenses and to define the function - expenses dependence from the driver;

- to concentrate on the solution of the question how to manage these drivers.

In the reality there is dependence between the processes, and in order to manage the expenses of one process, it is often necessary to optimize work not only of it but also of the processes connected with the data both on the chain of planning and the chain of delivery.
For example, to increase operating activities of GS the process of fuel delivery between regional oil depot sand process of delivery to the consumer had to be optimized. To do it in practice the process of sales and methods of sales forecasting, the stock management and budget planning had to be changed.
All these requires existence of the budget planning and control, corresponding analytics of the accounting and possibility to realize various techniques of planning in the system of administrative accounting, i.e. the system of administrative accounting, budget planning and control must be effective.
In economic financial analysis literature the ROA coefficient – Return on Assets is often used as the main indicator for an assessment of the results of the activity, and between ROA and ROCE the sign of equity is put. However such equalizing is a mistake because both a different profit and a different denominator are taken to calculate the coefficients.
The formula of ROA calculation:

$$\text{ROA} = \frac{\text{Profit before taxes payment}}{\text{Assets}} \text{ x } 100\% \qquad (9)$$

As we see from the formula given above, for calculation are used:

ROCE

- *Operating profit*
- *The used capital= Net Assets*

ROA

- *Profit after the interest payment*
- *Assets*

"Net assets" < "Assets" to the size of accounts payable, advance payments of buyers and steady liabilities.
Formation of the value “The Used Capital” assumes a clear division of the company activity on the operational activity and the structure of financing. Such division is defined by that fact that for an assessment of efficiency of the main (operating activity) it does not matter absolutely how the capital has been mobilized for its provision, i.e. whether it is owned or at the same time owned and loaned and in what ratio. At the same time the

structure of financing (the source of receiving money) has impact on the share of profit which goes to the bank, but not to the shareholders. The more the debt of the company is the more money it must pay in the form of interests and the less income for which the shareholders can apply is left.

Commitment of use of ROA is defined by that on the basis of this indicator the formula DuPont in which the interrelation between ROA and ROE is very simply formed is under construction.

Adherence to use ROA is defined by the fact that on the basis of this indicator the DuPont formula where the interrelation between ROA and ROE is very simply formed on the basis of this indicator is constructed.

$$ROE = ROA\ x\ \frac{\text{Assets}}{\text{Ownership capital}}\ x\ 100\% \qquad (10)$$

However just in this interrelation of ROE and ROA, unlike in the interrelation of ROE and ROCE, only the lever of influence – ratios of the ownership and the loaned capital, the influence of the loan capital cost is hidden.

It is interesting that from the beginning of crisis in many companies the ROA and ROCE have shown different tendencies of change. The ROA indicator has demonstrated falling. And it is clear because many companies had to restructure the currency credits and to translate them in ruble at the current rate that led to increase of both interest on the credits and on the unpaid part of the credit body because of the change of the rate of exchange.

At the same time ROCE indicator in many cases has shown growth. And it is clear too because the companies began to operate the working capital and expenses more carefully. It means that the efficiency of operational management has increased at decrease of the effectiveness of capital structure management.

1.2. Analysis of operational efficiency of the "Samaranefteproduct PJSC" GS network.

1.2.1. Analysis of the current indicators of the "Samaranefteproduct PJSC" GS network operational efficiency.

To provide the comparability of data which will be used while carrying out the factorial analysis of the operational efficiency it is necessary to carry out correction of the balance and the Profit and Losses Report of "Samaranefteproduct PJSC" within 2013-2014 in such way that only those indicators which are directly connected with realization of the activity on the retail direction are taken into consideration while calculating.

The following initial indicators are exposed to change during correction of the unified reporting forms:

1.Income, prime cost, business and management expenses are considered only in the part of retail realization of oil products and the concomitant goods.

2. The articles of the balance assets decrease by the sum of the cost of assets used for implementation of the wholesale activity, and the ownership capital decreases by the sum of the retained earnings got from the wholesale realization of oil products. By changing of the sum of accounts payable compliance between the asset and the passive of the balance is reached.

Within 2013-2014 there was decrease in commodity turnover both in tons, and in rubles. On the prior directions of activity (the main form of activity: realization of the purchased oil products through the GS network) there occurred growth of these indicators, except diesel fuel (winter) and gas.

Table 8. The results of the economic activity of "Samaranefteproduct PJSC" within 2011-2014.

	2011		2013		2014	
	th	mln. rubles	ton	mln.rubles	th	mln.rubles
Gasoline	*369*	*10 175*	*370*	*11664*	*398*	*13613*
Diesel fuel summer	*166*	*3 042*	*200*	*5768*	*220*	*6471*
Diesel fuel winter	*72*	*1 725*	*2*	*63*	*2*	*78*
Gas(СУГ)	*17*	*239*	*1*	*131*	*2*	*49*
Other oil products	*1*	*12*	*716*	*6731*	*10*	*297*

The income from property leasing	-	*3*		*3,1*		
Realization of the concomitant goods	-	*345*		*439*		*483*
Other works and services	-	*3*		*1,2*		
Services of washing	-	*5*		*5,0*		
Total	**1 847**	**28 196**	**1398**	**24810**	**633**	**20991**

According to the results of 2014 the total amount of the commodity turnover of "Samaranefteproduct PJSC" made 633 thousand tons that is by 55% below than the level in 2013; the volume of the income made 21 billion rubles and was below the same indicator in 2013 by 16%, thus the realization of oil products through the GS network made 533 thousand tons that is above by 23,7% than the level in 2013. The gross revenue from realization of the concomitant goods increased by 10% when the total gross revenue decreased.

Let's carry out the analysis of the absolute indicators of efficiency within 2012-2014 in order to assess the operational efficiency of the retail network GS RosneftPJSC in general and "Samaranefteproduct PJSC" separately according to the indicators of Table 9.

Table 9. Analysis of the Main Indicators of Operational Efficiency of "Samarnefteproduct PJSC" within 2011-2014.

Name	2014 in % to 2011
Change of the gross revenue volume	75
Growth of the gross revenue volume at GS 1	73
Change of the size of the gross revenue per 1 ton of oil products	217
Change of specific distribution costs in the cost of the gross revenue	94
Change of the income share in the gross revenue	78

It is observed in the considered period:

- decrease in the size of sales in absolute volumes by 25% in 2014 in comparison with 2011.
- decrease in the volumes of realization by 27% counting per1 GS in 2014 in comparison with 2011.

- growth of the gross revenue size per1 ton of oil products by 117 in 2014 in comparison with 2011 under increase in prices for oil products on average by 33% for the similar period. It happened in the result of change of the sales structure and increase of fuel prices.
- the share of distribution costs reduced by 6%in 2014 in comparison with 2011.
- the profit share in the gross revenue decreased by 22% for the similar period.

Thus, changes in indicators of efficiency of the GS "Samaranefteproduct PJSC" within 2011-2014 occurred in 2 opposite directions:

1. The increase in the average volume of the revenue by 1 thousand caused the positive impact on the growth of revenue efficiency.

2. Sharp decrease in the average in the level of the gross revenue (by -25%) under decrease in distribution costs by (-6%) caused negative influence on the growth of efficiency.

Within the considered period stronger falling of the margin retail level is observed in "Samaranefteprodut PJSC" than on average on the selling enterprises entering Rosneft, and the growth of the volumes of average realization on 1 thousand did not compensate the negative effect from the negative changes in the external and internal environment.

As the result of ranging of 38 selling enterprises of Rosneft PJSC it was succeeded to establish on the indicators of efficiency the following: "Samaranefteprodut PJSC" takes the 7th place on the indicator "The volume of Realization at 1 GS, the 12th place in the order of decreasing, the 22nd place on the level of the gross revenue per 1 ton of oil products.

The made analysis of the absolute indicators of efficiency of the GS "Samaranefteprodut PJSC" network has shown that only the average volume of realization of oil products on 1 thousand corresponds to the target value. For identification of the reserves of increase of indicators of operational efficiency we will carry out the factorial analysis of the "Samaranefteprodut PJSC" activity in 2011 and 2014.

As the basis for carrying out the operational efficiency factorial analysis of the retail GS network is calculation of assets turnover and profitability of the operating activities, we need to distinguish the main forms of the activities of GS "Samaranefteprodut PJSC".

Table 10.

	Commodity turnover (th)	**Gross income (one million rubles)**	**Gross profit (one million rubles)**
Realization of goods and services (th)		20991	2835

Including			
Realization of oil products	633	20508	2765
Realization of the concomitant goods		483	70

1. In 2014 goods and services were sold on the total amount of 20991 million rubles, the gross profit made 2835 million rubles.
2. In 2014 the concomitant consumer goods were sold on the sum of 483 million rubles and the gross profit was 70,4 million rubles.
3. In 2014633 tons of oil products were sold on the total sum of 20508 million rubles, the gross profit made 2765 million rubles.

The structure of the non-current assets of "Samaranefteprodut PJSC" testifies that 99% of its fixed assets are used for servicing of the production process connected with retail realization of oil products and the concomitant goods. The fixed assets which are on balance of "Vostok-terminal Ltd" and other service organizations are involved in the field of activity connected with wholesale realization of oil products. Therefore all depreciation charges as a part of expenses of the retail direction are taken into consideration to calculate the financial result of oil products retail realization.

The analysis of the structure of the current assets has shown that their considerable part is drawn away from the wholesale activity – receivables of wholesale buyers in the cost of current assets in 2014 made 68% against 75% in 2011. Thus, implementation of the wholesale activity requires financing of the current assets, and for development of the retail direction it is necessary to attractthe own long-term loan financial resources.

Analysis of the Actual Indicators of Operational Efficiency of Retail Network of "Samaranefteproduct PJSC" within 2013-2014.

Table 11. Indicators of efficiency of "Samaranefteproduct PJSC" within 2011-2014.

No	Indicators	2011	2014	Change
1	Profitability of the assets	21,8	22,5	0,7
2	Profitability of the non-current assets	92	122	32
3	Profitability of the working capital	29	28	-1
4	Profitability of the ownership (joint-stock) capital	44	30	-14

5	Receivables turn period (in days)	30	42	12
6	The accounts payable turn period (in days)	21	14	-7

The analysis of the indicators of the operational efficiency testifies the worsening of the external conditions of the activity of the GS network.

The profitability of the assets in 2014 I raised by 0.7 items and made 22,5% that testifies improvement of operational efficiency of "Samaranefteproduct PJSC". The profitability of the non-current assets increased by 32 items and made 122% in 2014. Change of this indicator testifies that essential work on restructuring of the non-current assets had been carried out in the organization. This change happened in the result of advancing decrease in the size of the non-current assets in comparison with decrease in the net profit. More than ten gas stations were preserved because of wear of the equipment. The Society faces the problem of reconstruction of the existing gas stations and of putting into operation gas stations of up to date type.

In 2014 profitability of the working capital made 28% that is lower by 1 item than the value of the indicator in 2011. And it testifies that there are reserves of growth, on what operational managers must pay attention.

In2014 the turnover of the receivables per days worsened significantly. At the same time the Society improved the value of the indicator of the accounts payable.

The analysis of these indicators testifies that the indicator of the operational efficiency in 2014 was below than the similar indicator in 2011. The fix reserve of increase of the operational efficiency is in the sphere of delivery and sale of oil products, i.e. the Society faces the problem of increasing the operating profit due to increase of profitability. Thus, to increase the operational efficiency of the "Samaranefteproduct PJSC" network it is necessary to provide growth of the margin indicator of the operating profit. To show it the analysis of possible reserves of the marginal profit growth will be carried out in the following chapter.

1.2.2. Factorial analysis of the indicators of efficiency of the operating activities of "Samaranefteproduct PJSC".

Possibility to increase the efficiency of the operating activities of the "Samaranefteproduct PJSC" network is based on the following factors:

- Increase in the population demand in the region with the high level of economic development.
- The tendency of the vehicle park updating in the Samara region and increase of the cars of foreign production share create the real prerequisites of demand for qualitative fuel which is less priced elastic.
- Increase of the share of the corporate retail sales with the use of fuel cards from the actual 27% to 35% that corresponds the shares of “Samaranefteproduct PJSC” in the retail market.
- Increase in retail sales of the diesel fuel to corporate clients who are small wholesale clients now.
- Reduction of the distribution costs at the expense of the market mechanism of pricing on services of facilities and optimization of production processes.
- Increase of profitability of the retail business due to the sales growth of goods and services which are less subjected to price regulation.
- Expansion of presence of “Samaranefteproduct PJSC” on federal highways due to construction of new gas stations.
- Construction of GS with an expanded set of the concomitant goods and services for the purpose to increase the level of the gross revenue.
- Construction of GS of an economic format which don't envisage development of the concomitant business and reach efficiency due to economy on operational expenses.
- Decrease of the construction cost of GS in connection with possible introduction of technical regulations which provide only 2 types of fuel – gasoline Ai-95 and the diesel fuel.
- Creation of competitive offers on workplaces at new gas stations with possibility of free on charge training.

At the same time there are many negative factors which can have negative impact on achievement of the target indicators of operational efficiency:

- Strengthening of monitoring over retail prices from the side of the State can lead to further decrease in the level of profitability of retail sales.
- A large number of independent and separate participants of the retail oil products market creates prerequisites as for the accelerated development of VINK presenting in the region, and for fast penetration on the local market of the new players (“Bashneft PJSC”, “Tatnefteproduct PJSC”) by purchasing of the working gas stations.

- The aspiration of the State to liberalization of the market of oil products and creation of competitive conditions (up to division of VINK) can limit the access to resource base of “Rosneft PJSC” in this connection, the share of oil products purchased at the stock exchange and from the third-party suppliers willed to further growth of the prime cost and the expenses connected with its acquisition.

- Absence of discounts to corporative clients has weakened the position of "Samaranefteproduct PJSC" in the market of corporate sales and has led to insignificant outflow of big customers.

-Absence of discounts to physical faces on the program “Active Discount” has negatively affected the level of the clients’ loyalty.

- Stagnation of the cargo vehicle park of the Samara region restrains growth of diesel fuel and the liquefied gas in the market.

- Slowing down of the growth rates of the regional market of oil products.

- Long procedures of coordination of investment projects in ”Rosneft PJSC” slow down the rates of development of the network in the region, reduce the number of potential effective projects because of activity of competitors.

- Growth of tariffs of the natural monopolies and the need to support a large number of the service organizations (RN-Kart, RN-Uchet, RN-Inform, terminal economy and others) lead to the accelerated growth of the circulation costs.

- Growth of the cost of the land plots leads to rise in price of the overall cost of an investment object and increase of payback periods;

- Deficiency in a manpower in the market of the Samara region enticement of the personnel by competitors.

- Aggressive price policy of competitors that leads to transition of buyers to competitors.

- Active marketing activity from competitors (actions, loyalty programs).

- Development of competitive GS networks.

- Economic recession in the country and in the region.

- Decrease of the level of use of motor transport in connection with the worsening of the economic situation.

- Increase of the competition from the side of the stock exchange channel of oil products realization.

Formation of purchasing prices for oil products on the stock exchange quotations that leads to:

- increase of the cost of "Samaranefteproduct PJSC" oil products purchasing;

- reduction of the difference between the retail and the wholesale prices of "Samaranefteproduct PJSC" oil products on realization;

- impossibility to observe the equal dynamics of change of small wholesale and retail prices depending on the dynamics of the prices of purchasing.

In "Samaranefteproduct PJSC" monitoring of the price situation is constantly done both as in the regional market of oil products among the main competitors and in the market of oil products in the Russian Federation as a whole for the purpose to carry out an adequate and competitive price policy. An active marketing work is carried out in order to attract customers.

The task to monitor these risks is decrease of negative influence of high volatility of the oil products market on the activity of "Samaranefteproduct PJSC" and its financial result in the conditions of the oil prices jumping and the unstable economic situation.

Systematization of the versatile factors of competitiveness of oil products retail sales has been carried out in this diploma work which is presented in Table 12.

Table 12. Systematization of the factors of competitiveness of oil products retail sales (gasoline and diesel fuel).

SIGNS OF SYSTEMATIZATION	EXTERNAL FACTORS	INTERNAL FACTORS	
	Strengthening of tendencies of monopolization of the market and growth of scales of franchising	Discouraging	Increase of personnel fluctuation and decrease of their professional level
	Strengthening of tendencies of governmentalization of the oil products market		
	Territorial re-deployment of management companies and their structural divisions	Stimulation of top managers by results of functioning of system	The debugged system of budgeting and management of expenses
	Toughening of the competition in border zones owing to openness of the market and existence of "green cards"		The debugged system of budgeting and management of expenses

- **THE WORSENING**
- **THE IMPROVING**

As a result of systematization of the factors influencing competitiveness of oil products sales 2 groups of signs have been distinguished: on the source of influence (internal and external factors) and on the direction of influence (worsening and improving).

The main factors which led to decrease in profitability of oil products retail realization of "Samaranefteproduct PJSC" are - decrease of the level of a retail margin on oil products and continuous growth of distribution costs. These changes had essential impact on:

1. Reduction of the sum of the net profit got by the Society to the level which doesn't allow to fulfill the obligation before the shareholders and to finance the investment program in the necessary volume.
2. Implementation of the existing projects of reconstruction and building of new objects of oil products supply. These projects stopped to meet the requirements of Rosneft PJSC regarding the payback periods and the size of the pure cash flow.
3. It led to refusal from development of the GS retail network under the high level of activity of competitors. As a result the share of "Samaranefteproduct PJSC" in the region decreased that created threat of loss of the leadership in the branch.

The listed consequences indicate actuality of the problem connected with worsening of the indicators of the operational efficiency because it can have essential impact on possibility of strategic development of the GS retail network of Rosneft PJSC (further Rosneft PJSC) daughter "Samaranefteproduct PJSC" in one of the largest Russian regions.

The analysis of the positive and the negative external factors showed that for increase of operational efficiency of the "Samaranefteproduct PJSC" GS network it is necessary to solve the following problems:

1. To increase the level of profitability of retails.
2. To reduce the distribution costs.
3. To preserve the leading positions in the regional market of oil products in the conditions of high activity of competitors.

These objectives will have to be solved at the following restrictions:

1. Decrease in specific distribution costs has to be reached in the conditions of growth of tariffs of natural monopolies and service organizations, annual indexation of the salary, wear of the fixed assets and preservation of a high level of service.

2. The further development of the network is possible only due to construction of GSs of new and standard formats which will correspond the worked out criteria of efficiency.

3. The drive of adoption of the strategic decisions aimed at the development of "Samaranefteproduct PJSC" must be provided in the conditions of long terms sequence of the similar projects by the Company.

4. In the conditions of the state monitoring the possibility to use the price factor as the instrument of regulation of profitability and sales volume of oil products is significantly limited therefore it is necessary to find new ways how to increase profitability of the retail sales which are not connected with realization of oil products.

2. Practical part.

2.1. Increase of the operational efficiency of the GS network of the "Samaranefteproduct PJSC".

2.1.1. Analysis of the possible directions to increase the operational efficiency of the "Samaranefteproduct PJSC".

Operational efficiency of the retail activity can be increased in 4 ways:

1. Increase of income from sales due to increase of the price factor with preservation of natural volumes of realization. Possibilities of this way use are significantly limited on the one hand by the competition and high demand sensitivity to the price changing, and on the other hand by actions of the antimonopoly service. In this regard the special attention must be paid to the marketing tools and researches which are not connected with realization of oil products and can be positively reflected in profitability of the GS retail network under the currently in force restrictions.

Table 13. Petrol prices, DT, Gas in the Samara region:

Date	80	92	92+	95	95+	98	98+	DT	DT+	Propane	Methane	Company
08/02		31.70	32.20	35.20				33.70				Rosneft
03/02										15.00		GS (gas filling station, filling with propane)
03/02			34.40		37.30				35.68			Lukoil
27/01		31.70		34.90				35.00				Tatneft

2. Increase of income from sales due to increase of the natural volumes of realization, which provide a positive financial result. Such effect can be achieved due to decrease of the unit cost of circulation per 1 unit of the additional sale.

3. Decrease of the full prime cost of the production, services and works. Decrease of the prime cost of the realized production can cause a significant influence on the growth of profitability of the GS retail network, but possibilities on its decreasing are also limited. It

is explained by the fact that the most part of oil products for realization in the retail network of "Samaranefteproduct PJSC" comes from "Rosneft PJSC" on the prices which are outside of the sphere of influence of the last one. Thus, reduce in the prime cost of the production can be achieved due to purchasing of oil products from external suppliers on lower prices (what is hardly probable) and due to getting additional discounts from suppliers of concomitant goods. In order to reduce the prime cost of works and services it is necessary to carry out works on the constant basis, directed on optimization of the expenses and on observing of the fixed budgetary limits.

4. Increase in turnover of assets. Measures in this direction first of all are directed on optimization of the structure of the assets involved in the process of the retail realization of oil products. As the current indicators of the assets turnover exceed the target values, quantitative reference points for possible reserves of growth of assets turnover aren't established.

The analysis of the growth reserves of the efficiency of the operating activities shows that its target value of 4,17% can be reached in the case if the growth of the retail margin to the target level at 1 GS will be provided due to decrease of the coefficients of the prime cost and expenses. For this purpose it is necessary to provide growth of the gross revenue and decrease in the circulation costs.

Achievement of the established target indicators of operational efficiency is possible due to realization of the complex of measures in the sphere of marketing, management of finance, production and of the personnel.

The main reasons of low efficiency are the objective restrictions in the authority of the heads who don't allow to adapt in due time to changes of the internal and external environment, to requirements of consumers, but sometimes also absence of motivation for implementation of changes.

The analysis of strong and weak sides of oil products realization, opportunities and threats allows to reveal reserves of increase of the operational efficiency on the basis of SWOT analysis of business processes of "Samaranefteproduct PJSC".

Table 14. SWOT analysis of prospects of the network of GS "Samaranefteproduct PJSC".

	Possibilities	**Threats**
	1. Introduction of new hi- tech products of the world hi-quality standard (Euro-4 and Euro-5	1. Inopportuneness of deliveries from oil refinery or other refuelers

	gasoline) 2. Increase of growth rates and expansion of the range of services 3. Use of the new automated technologies and means of customers servicing	2. Receivables of the wholesale organizations 3. Powerful competitors in the Samara region and nearby regions 4. Appearance of new competitors on delivery and realization of oil products, including foreign players 5. Impact of the spasmodic changes in prices in the international oil and oil products markets 6. Insufficient inflow of young highly professional staff
Strong sides		
1. Quality of production on the world standards 2. A favorable location – a high-developing region of the Russian Federation 3. A high level of the income of the population and relative stability of labor payment in the nearby regions	Strengths 1. Expansion of the sales market due to improvement of the quality of oil products and the concomitant goods of the world standards - 2. Use of the sales market location gives the chance of growth of the rates of sales and expansion of the range of goods and services 3. The possibility of continuous updating of the qualified personnel staff at GS is realized because of the special attention to the personnel potential from the Directorate of "Rosneft PJSC".	1. Due to the quality of production (High-quality fuel) to overcome the threat of appearance of new competitors.
Weak sides		
1. Overloading of clients at one gas stations and their shortcoming on others 2. Unfairly high growth rate of expenses	1. Optimization of charges on keeping the administrative personnel. 2. Optimization of costs for improvement of fuels and lubricants delivery technologies as well as for pouring and accounting. 3. Development and use of new methods of providing competitiveness of fuels and lubricants and GS in the whole.	1. The need in elimination of the revealed shortcomings is predetermined by strengthening of the external competitive influences. First of all it concerns big dependence on suppliers that is an obvious threat of idle time of GS because of untimely supply of oil products.

The problem of decrease in operational efficiency of "Samaranefteproduct PJSC" is connected with the growth of the unit distribution costs with simultaneous decrease in the specific gross revenue. In many respects these processes have the external reasons and are

out of the sphere of influence of ”Samaranefteproduct PJSC”. In this regard it is necessary to carry out theme asures which will allow adapting to the changing environment.

Now the leading position of “Samaranefteproduct PJSC” in the regional market is reached due to the wide GS retail network and the use of the global brand "Rosneft".

It is obvious that the increase of operational efficiency and preservation of the leader positions can be reached when the following conditions are observed:

1. The oil products with the best functional characteristics, demanded consumer goods and services are realized through the network of GS.

2. The constant client base consisting of loyal buyers and guaranteeing leadership in the market has been formed.

3. The economy on expenses is reached at the expense of the effect of the scale, optimization of the assets and production processes, and also at establishment of a hard control over the administrative and marketing expenses.

Management of the network means various initiatives on each category of GS. The scheme of the management of the existing network and new assets is identical.

The tasks of the realization volumes management process are the maximum use of GS with operational indicators which are lower than the demanded ones due to modernization; an exchange of the advanced practice between GSs and correction of the range of products. The process of the profit management includes development of price strategy, optimization of the price policy and receiving additional profit from the concomitant business. In practice they are such actions as: adjustment of the prices according to the GS location; adjustment of the prices taking into account the competitive environment; observance of flexibility – to follow closely the leaders of the market when prices increase and to reduce the prices slowly when they fall.

The analysis of the current conditions of the “Samaranefteproduct PJSC” activity allows coming to the conclusion that when the state monitoring over the retail prices for oil products is madeit is necessary to concentrate on the measures directed to the economizing of expenses for increase of the operational efficiency of the GS network. However it is necessary to understand that the reserves on their decrease are significantly limited and therefore in order to for achieve the target indicators of operational efficiency it is necessary to carry out the measures directed to increasing of profitability of business under the working restrictions.

2.1.2. The measures, directed on increasing profitability of the retail network of "Samaranefteproduct PJSC" GS.

One of the four marketing functions is development of the strategy and tactics in the field of pricing. On the one hand the price is an instrument of stimulation of demand and on the other hand it is the defining factor of the long-term profitability of Rosneft PJSC. Thus, when developing the pricing policy it is necessary to take into account two types of compliance [5, page 413]:

1. Internal compliance is establishment of the price taking into account restrictions on expenses and rate of return.
2. External compliance is establishment of the price depending on purchasing power of the market and the prices of competitors.

The situation formed in the retail market of oil products imposes the following restrictions on the pricing policy of "Samaranefteproduct PJSC":

1. The retail prices at GS of "Samaranefteproduct PJSC" cannot form according to the principle of internal compliance because in this case they will be fixed at higher level and will be characterized by sharp fluctuations according to the dynamics of wholesale prices that contradicts interests of the State, trying to contain growth of retail prices.
2. Decrease in the volumes of revenue of "SamarnefteproductJSC" in 2014. It is connected with establishment of lower retail prices concerning competitors according to the recommendations of the shareholder. Such practice of price regulation does not allow establishing retail prices according to consumer ability of the market.

Lack of possibility of a choice of the option of the price strategy does not allow developing the program of the marketing actions directed to:

- positioning of the brand of the opinion of potential buyers;
- formation of the image of the trademark;
- increase of the level of service and improvement of appearance;
- formation of the programs of loyalty;
- increase of the volumes of realization.

In this regard it is necessary to look for new marketing solutions directed to increase of profitability of retail realization of oil products:

1. Active advance in the market of alternative oil product. As one of the ways of decrease of dependence of the price policy from the state monitoring over the prices can be

considered the increase of sales volume of the bonus oil products which are alternative to standard fuel under the own brand through the GS network of "Samaranefteproduct PJSC". The prerequisite for sales growth of "branded fuel" is readiness of the consumer to pay a high price for products which meet their requirements.

Such production can be positioned due to possession of the following characteristics: increase of reliability of the work of the fuel equipment, increase of term of the engine exploitation and operability of the exhaust system. The carried-out questioning of GS clients shows that within the next 3 years the share of the firm fuel in the total amount of the realization of "Samaranefteproduct PJSC" with the more than 15% constant level of the trade extra charge must make not less than 5%.

2. The translation of clients from a small wholesale group to the category of retail buyers. The formed tendency connected with updating of the cargo vehicle park, increase of the share of foreign cars in this segment and aspiration of the enterprises using a large number of freight vehicles in its production activity to establish a rigid control over the fuel expenditure, create prerequisites for the transfer of the segment of small wholesale clients to the category of retail consumers. For this purpose it necessary to look for options of mutually beneficial cooperation which will allow the motor transportation enterprises to get rid of the expenses connected with the practice of departmental filling and losses of fuel of various character, and the enterprises of oil products supply to gain bigger income from the retail realization of oil products in comparison with the small wholesale realization of these volumes. The primary research of the corporate sector of the market of oil products has shown that with taking into account the formed tendencies the volume of retails to the contractors who originally were small wholesale buyers, within 3 years must reach 40 thousand tons. The achievement of this purpose will allow "Samaranefteproduct PJSC" not only to strengthen its positions in the market of corporate sales, but also to take additional income.

Despite of the limited set of marketing tools which are available at "Samaranefteproduct PJSC" now, it is necessary to use any opportunities allowing with insignificant expenses increasing the value of the "Rosneft" brand among consumers of the region. In the case of liberalization of the retail market it will allow to take additional profit due to establishment of a higher level of prices at GSs under preservation of the volumes of realization. That is the long-term goal of the marketing measures directed to increasing of the operational efficiency of the GS network of "Samaranefteproduct PJSC" is decrease of the elasticity

of demand in the price. This objective can be achieved at the expense of the solution of the following tasks:

- consumers are sure in the stability of high quality of the fuel realized through the GS network of "Samaranefteproduct PJSC" and lack of incomplete fillings;
- the most of regular customers are participants of the programs of loyalty;
- the services of customers' demand are functioning at GSs
- the level of GS "Samaranefteproduct PJSC" service is at higher level against competitors.

Let's mark the risks which can negatively affect the possibility of receiving the expected economic effect from realization of the considered marketing measures:

1.Realization of a firm trade mark fuel. Spasmodic supply of a branded fuel to the GS and technical difficulties connected with providing of the promised characteristics will reduce the interest from consumers to it. Absence of the declared characteristics of oil products will lead to decrease the level of trust and loyalty from the consumer concerning the "Rosneft" brand;

2. The increase of sales volume to corporate clients – owners of heavy-load motor transport depends on reconstruction of GS under servicing of a large number of freight vehicles and opportunity to provide the necessary level of discounts for receiving mutual benefit from the cooperation. In case of lack of these conditions corporate clients will leave for other suppliers.

3. Increase of profitability of additional kinds of activity. This group of measures must be aimed at development and advance of additional types of business at GS which can have essential impact on increase of the operational efficiency of the retail network. One of such kinds of activity which gained broad development among the Russian networks of gas station is retail realization of consumer goods. At the same time shops under GS now are not perceived by the Russian consumers as convenient places for shopping. For comparison, in countries of Western Europe, according to the international research of Rosneft PJSC and of ACNielsen the contribution of consumer goods to formation of GS profit reaches 70%. In order to increase the contribution of this type of business to formation of profit of the "Samaranefteproduct PJSC" network it is necessary to position a shop under a GS as a convenient place for shopping at any day time.

Increase of incomes from additional kinds of activity can be achieved the following way:

Increase of the indicator of the average revenue from consumer goods sales at 1 GS with a shop. In 2014 this indicator on “Rosneft PJSC” made 6,75 million rubles, while in “Samaranefteproduct PJSC” it was only 6,19 million rubles. If to take into consideration the fact that retail points with shops prevail in the retail network of “Samaranefteproduct PJSC” receiving of additional gross revenue at GS can be made possible because the population of the Samara region possesses higher consumer ability in comparison with the majority of regions where “Rosnef PJSC” is present. In case if the average income from the sales of the concomitant good per1 GS is brought to the average value on Rosneft PJSC by 2020 the total sales will increase by 47,6 million rubles.

2. Growth of the level of the extra charge on consumer goods which is not an object of the state monitoring. For “Samaranefteproduct PJSC” for increasing of the level of an extra charge by 1% is equivalent to the growth of the gross revenue by 4,8 million rubles a year. Such effect can be reached as due to decrease in the product cost bought for resale and due to maintenance of higher price level – payment for comfort and speed of purchase commission. The extra charge on consumer goods by 25% used in “Samaranefteproduct PJSC” is at the same level as in supermarkets therefore it is necessary to carry out the actions which will allow to increase it to 28%.

3. Increase of the income from sales of services in rent areas located in the territory of a complex. By means of the matrix of Boston Consulting Group the analysis of GS and the land plots adjoining to them located in the territory of the large cities and along federal highways was carried out which has showed expediency of expansion of the area of GS buildings the following way:

- 21 complexes to 1 000 square meters with parking for 50 places;
- 23 complexes to500 square meters with parking for 30 places.

The main directions of use of the newly constructed areas are:

- expansion of the area of the own shop;
- area leasing for renting in order to trade with goods which are not presented in the own shops;
- area leasing for renting in order to organize places for catering of “Samaranefteproduct PJSC” – fast food and cafe;
- area leasing for renting in order to organize shops of washing, tiremounting, car servicing;
- area leasing for renting in order to organize places of leisure.

Taking into account the cost of expenses on construction of the areas of this type and the formed rates of renting payment the internal rate of profitability of these projects can reach 30%. Proceeding from the condition that 60% of the built areas (32,5 thousand sq.m) will be leased, the revenue from sales of this type of service will make 198,3 million rubles.

We will note the risks which can negatively affect the possibility of receiving of the expected economic effect from realization of the considered marketing measures:

1. restriction of the volumes of realization and the level of the extra charge consumer goods:

- reduction of the product range allowed for realization at GS (alcoholic and beer products);
- refusal of suppliers from granting additional discounts;
- limitation of solvent demand outside the regional center.

2. less-received income from leasing of the new areas:

- possible refusal of head "Rosneft PJSC" to coordinate construction of non-profile objects;
- difficulties connected with obtaining agreements for construction near an object of the high level of danger;
- absence of sources of financing for implementation of the capital-intensive project;
- low level of activity of tenants outside the regional center.

2.1.3. The measures directed to optimize the "Samaranefteproduct PJSC" GS retail network distribution costs.

Optimizing measures in the sphere of management of finance and economy.

The measures in the sphere of economy and finance directed to increase of operational efficiency must solve the following problems:

1. Formation of the system business of planning directed to achievement of strategic objectives of "Samaranefteproduct PJSC" in long-term and medium-term perspective, provision of needs in financial resources and monitoring of their execution. The result of functioning of the system of business planning – development of the plan of financial and economic activity for 3 years focused on increase of efficiency of use of the invested capital. For achievement of the key purposes and parameters provided by the strategy of development of "Samaranefteproduct PJSC" the key parameters of development of

production and commercial programs are defined and established at the beginning of the process of business planning.

2. Carrying out of the financial policy directed on the rational use of the material and monetary resources, minimization of the cost of financial resources for "Samaranefteproduct PJSC" due to the maximum possible use of free sources of financing, establishment of limits of receivables and the necessary stock rate. Effective management of current assets in the course of a production activity can have essential impact on the indicators of turnover and their compliance to the established target indicators in order to provide necessary return on the invested capital.

3. Functioning of the effective monitoring system providing observance of the budgetary restrictions and performance of indicators of the business plan. Such system shouldnot allow the Society to make agreements under which obligations which are not provided by the budget will appear.

4. Functioning of the system of cost management on the functional centers and the centers of financial responsibility. This system must provide mutual control between structural divisions of "Samaranefteproduct PJSC" over development of the budgets. As an example it is possible to use the monitoring system over the use of the GS expendables:

• **the material support engineer** (*the functional center*) brings the managers of GS information on the main operational performance and the approved norms consumptions of materials (a check tape, paper, stationery, repair kits forTPK).

• **Managers of GS** (*the centers of financial responsibility*) on the basis of this information applications are formed which serve the basis for formation of the centralized budget of materials purchasing. In a case of necessity to purchase over planned materials, managers will have to prove the reasons of the arisen over expenditure (an over fulfillment of the production indicators, growth of the norms of expenses, the unforeseen consumption of materials).

Thus, control over this group of expenses is at the material support engineer and managers of GS carry out monitoring of the materials consumption.

5. Periodic carrying out of the comparative analysis of operational expenses between the GSs of same type and search of ways of optimization of operating activities on the basis of the analysis of changes of the financial and economic indicators of activity (the centers of financial responsibility) which will allow:

- to describe the operating business processes accurately;

- to reveal the business processes which need optimization;
- to develop offers directed on optimization of business process;
- to estimate the influences of offers directed to optimization of one business process, from the point of view of their negative influence on other business processes.

Let's make the analysis of structure and dynamics of change of distribution costs of "Samaranefteproduct PJSC" within 2011 – 2014 in order to define the possible options of their reduction due to optimization of the existing business processes. But before it is necessary to mark three groups of expenses:

1. Uncontrollable expenses – depreciation, taxes, interests, the state taxes – the management cannot affect their size.

2. Poorly governed expenses – there is an opportunity to influence only some indicators of expenses – the volume of consumption or tariffs. The first subgroup of this type of expenses is characterized by the invariable price factor – the electric power and heat power, communication services, tariff rates on compensation of the production personnel, and utilities. In the second subgroup of expenses the price factor can change depending on a choice of the supplier or the contractor, but with it this volume of necessary works is regulated by the state norms and standards – compulsory education of the personnel, expense connected with providing with fire, ecological and industrial safety and the analysis of oil products and metrological services.

The governed expenses – are under complete control of management, target and quantitative factors can be subjected to change. To this type of expenses refer: advertising, repair work, consumption of expendables, consulting services, administrative training of personnel, rent of fixed assets, agency and information services, physical security, transport services and services on storage of oil products, and also other expenses directed to increase of the level of service GS.

In order to define the possible directions of optimization of expenses as the second criterion we will use the following classification of expenses:

1. The expenses influencing quality and safety of rendering services.
2. The expenses connected with advance of goods in the market and influencing on changing of the sales volume.
3. The expenses not influencing the possibility of rendering services, quality and safety.

Uncontrollable expenses. From the carried-out analysis we see that the share of uncontrollable expenses of the "Samaranefteproduct PJSC" network makes 28,5% and other expenses must be reduced by 14% in order to decrease the costs by 10%.

Poorly governed expenses (the share is 44,2%). In the conditions of the continuing growth of the tariffs for services of natural monopolies and relatively high rates of inflation, the reserves connected with decrease of prices on services rendered by the third-party organizations are insignificant. The main objective for "Samaranefteproduct PJSC" is preservation of the current price level the next year if such opportunity exists. The economy at the expense of the quantitative factor can be reached due to optimization of routes of delivery of oil products, carrying out energy saving actions, strengthening of control over the fuel consumption and communication services.

The governed expenses (the share is 27,3%). The greatest economy of expenses can be reached due to optimization of the expenses entering this group because:

- the cost of the services entering this group is formed on the basis of the market principles not to be a sphere of monopolists' activity;
- partial or full refusal of services will not lead to a stop of a production activity, but will be reflected in the level of the service.

The size of possible economy of distribution costs of "Samaranefteproduct PJSC" which can be reached at the expense of the proposed measures makes 935 thousand rubles.

Table 15. The Calculation of economizing at the expense of reduction of the cost of turnover "Samaranefteproduct PJSC".

Name of the circulating cost	The structure of the circulating cost in (%)	Circulating cost in 2014 (mln rubles)	The Reserves of the circulating cost		
			Coefficient	The sum of the circulating cost	The sum of economy
Non-governed	28.5	5174	1	5174	
Poorly-governed	44.2	8025	0.97	7784	-241
Governed	27.3	4957	0.86	4263	-694
Total	**100%**	**18156**		**17221**	**-935**

Let's mark the risks which can negatively affect the possibility of receiving the expected economic effect of the realization of measures in the sphere of management of finance and economy:

1. Decrease of the selling activity of "Samaranefteproduct PJSC" can lead to reduction of the share in the market and to strengthening of the positions of competitors at establishment of the same level of the retail prices.
2. Change of the schedule of work of physical security can increase probability appearance of supernumerary situations at GS.
3. Decrease of expenditure on improvement of GS can lead to remarks from "Rosneft PJSC", local government bodies and also cause negative emotions of clients.
4. Periodic appearance of non-standard situations at GS can be the basis for continuous reconsideration of the norms of expenses on materials and consumption of services towards increase that leads to decrease in management of expenses.
5. In the conditions of the general deficiency of current assets and the high cost of the loan capital possible disagreement of suppliers and contractors concerning increase in duration of delays of payment is high.

2.1.4. The total assessment of economic effect of the offered measures to increase "Samaranefteproduct PJSC" operational efficiency.

Let's carry out the assessment of sufficiency of the offered measures for achievement of the target indicators of operational efficiency (Appendix No 3):

We will calculate the indicators of operational efficiency for the "Samaranefteproduct PJSC" network on the situation for 2014 under the term realization of the offered measures directed to increase of the operational efficiency of the GS network.

In the case if the offered complex of measures (without plans for development of a network till 2020) directed to increase of the operational efficiency of the network of GS "Samaranefteproduct PJSC" had been realized by the beginning of 2014, it would have allowed to reach the following results:

- to increase the average volume of the annual realization per 1 GSby 9,2% from 8,1 thousand tons to 8,7 thousand tons due to the growth of sales to corporate clients – the owners of freight vehicles;

- to increase the gross profit per 1 ton of the realized oil products taking into account the income from the realization of TNP and services by 8,5% from 2 480 rub/ton to 2 689 rub/ton due to the growth of the contribution of additional types of business in the formation of the total value of the income;
- to reduce distribution costs per 1 ton of the realized oil products ин 17,32% from 1 935 rub/ton to 1 600 rub/ton;
- to increase the volume ofepythe annual retail margin per 1 gas station by 1,7 times from 1 405 thousand rubles to 2 388 thousand rubles.

Nevertheless, the offered measures do not allow reaching the target value of profitability of the operating activities on the results of work on 2014. Under the current state of the retail network and the developed level of the trade additional charge for oil products.

6. Let's calculate the indicators of the operational efficiency for the "Samaranefteproduct PJSC" network on condition the by 2020 under the term of realization of the offered measures directed to increases the operational efficiency of the GS network.

In the case if the offered complex of measures (taking into account the plan of measures on the network development) directed to increase of the operational efficiency of the GS "Samaranefteproduct PJSC" network had been realized by the beginning of 2020, it would have allowed to reach the following results:

- to increase the average volume of the annual realization per 1 gas station by 9,2% from 5,62 thousand tons to 6,3 thousand tons due to qualitative improvement of structure of the network at the establishment of the prices at the level not below than the averages on the regional market and increases in sales of the fuel with trademarks;
- to increase the gross profit per 1 ton of the realized oil products from 2 318 rub/ton to 3 007 rub/ton due to the gradual growth of the trade additional charge on oil products within the considered period from 9,37% to 11,1%;
- to increase the gross profit of the additional types of business per 1 ton of the realized oil products from 162 rub/ton to 393 rub/ton;
- to reduce the distribution costs per 1 ton of the realized oil products by 19,2% from 1 935 rub/ton to 1564 rub/ton due to implementation of the program of optimization of expenses and qualitative improvement of the network structure;
- to increase the volume of the annual retail margin per 1 GS by 6,5 times from 1 405 thousand rubles to the target value of 9 142 thousand rubles;

- all target indicators of the operational efficiency calculated on the basis of the factorial analysis –the profitability of the net operational assets and operating activities, turnover of the net operational assets are reached.

CONCLUSION

Summing up the results of this diploma work devoted to development of the measures directed to increase of the operational efficiency of the GS “Samaranefteproduct PJSC” network it is possible to make the following conclusions.

The enterprises of oil products supply of the vertically integrated oil companies take the leading competitive positions in to date market conditions, but recently their activity in the sphere of pricing is under intent attention of the state that caused decrease in indicators of the operational efficiency.

In theoretical part of the work calculation of the target indicators of the operational efficiency for GS station which provide implementation of the requirements imposed to the payback periods and profitability of new projects according to the developed technical and economic indicators of activity of the retail network has been made. The result of the calculations is the target values of the factorial indicators of the operational efficiency for GS with a certain volume of annual realization. The values of these indicators per 1 GS can be considered targeting for the whole GS network if its volumes of realization correspond to the average volume of realization per 1 GS entering the range of this network. Having opportunity to calculate the target indicators of the operational efficiency for GS with any volume of realization we can define these indicators for any GS network.

The object of the research of this final work is “Samaranefteproduct PJSC” which holds the leading position in the market of oil products of the Samara Region with shares of the market of 43%. The analysis of the indicators of the activity of “Samaranefteproduct PJSC retail network has indicated the need in increasing of its operational efficiency at the expense of such reserves of growth as decrease ofthe coefficients of the prime cost and expenses that can be reached due to increase of profitability and decrease in the distribution costs.

In order to define the main directions of measures on increase of the operational efficiency the analysis of the external and internal environment of “Samaranefteproduct PJSC” has been carried out. The result the done analytical work has become practical recommendations on various spheres of management of the enterprise activity directed on:

1. Increase of profitability of the retail network due to advance of the fuel a with trademark, increase in sales volume and level of the retail extra charge on consumer goods, realization of services on renting of the new areas at GS and the translation of clients from

a small wholesale group to the retail category. The additional profit on realization of these measures should is to make 197,8 million rubles.

2. Qualitative improvement of the structure of the retail network due to liquidation of 7 unprofitable GSs, constructions of 14 new GSs, reconstruction and modernization of 20 operating GSs.

3. Increase of profitability of the retail network due to partial refusal from expenses on advertising, improvement and optimization of security activity for the total amount of 47 million rubles.

4. Increase of profitability of the retail network due to updating of fixed assets of "Samaranefteproduct PJSC" and vehicle park of fuel trucks, eliminations of the unprofitable assets, decrease of the construction cost and change of the format of services rendering of refuelers. The expected economy of the expenses is 113 million rubles.

5. Increase of profitability of the retail network due to decrease in fluidity of the personnel. The expected economy of expenses is 0,5 million rubles.

6. Increase of the motivation and interest in high results of the "Samaranefteproduct PJSC" linear and administrative personnel activity.

The offered measures allow by 2020 to reach the target indicators of the operational efficiency for the retail network with an average capacity of realization per 1 gas station of 6,3 thousand tons due to the growth of the indicator of gross profit on all kinds of activity to 3 400 rub/ton under simultaneous decrease in the indicator of specific expenses by 1 564 rub/ton. Under these requirements of "Rosneft PJSC" to the payback periods and profitability of the project are observed at the level of trade extra charge on oil products by 11,1% that allows to reduce significantly dependence of the GS "Samaranefteproduct PJSC" network profitability from fluctuations of small wholesale prices for oil products in the period of their sharp growth under preservation of the retail prices level.

Thus, not only analysis of the "Samaranefteproduct PJSC" activity which has shown that the formed system of the management of the operational activity does not use the potential reserves of efficiency increase completely has been done but also the complex of practical measures directed to use of the revealed reserves has been offered.

In general it is possible to say that the theme of the diploma work has been opened completely:

- conceptual aspects and quantitative reference points of increase of the efficiency of the operating activities of the enterprises of oil products supply have been marked;

- the market capacity of oil products of the Samara region and also the external and internal environment of "Samaranefteproduct PJSC" in this market have been analyzed;
- the assessment of the operating activities of "Samaranefteproduct PJSC" has been carried out and the directions of further development of the network and increase of its efficiency have been defined;
- there has been developed the complex of practical measures which by 2020 allows the enterprise increasing the occupied share in the market of oil products supply of the Samara region to 38% and reaching the target indicators of operational efficiency of the retail network which provides the necessary level of return on the invested capital and realization of obligations before shareholders.

REFERENCES

Normative legal acts:

1. Metodicheskie rekomendacii po ocenke effektivnosti investicionnih proektov. (02.06.1999). 2nd ed. N VK 477.

Special literature:

2. ANSHIN V.M. (2002). Investicionnii analiz. Educational and practical grant. Moscow. 2nd ed.
3. BREALEY R., MYERS C. (2003). Principles of Corporate Finance.
4. BRIGHEM Yu., ERHARDT M. (2009). Finansovii menedjment. 10th ed. Spb. Piter.
5. VISHWANATH S.R. (2007). Corporate finance: theory and practice. 2nd ed.
6. GARRISON R. (2010). Managerial Accounting for Managers. Hill. p. 628.
7. GOLUBEV M.P. (2010). Metodologiya sozdaniya effektivnih vertikalno integrirovannih holdingov. Education guidance. Moscow. INFRA – p. 521.
8. GRAHAM G., HARVEY C. (2000). The theory and practice of corporate finance: Evidence from the field. Journal of financial economics. p. 54.
9. GRINBLANT M., TITTMAN S. (2002). Financial markets and corporate strategy, Second edition. p. 1123.
10. IVANOV D.A. (2010). Upravlenie cepyami postavok. p. 660.
11. SHARPE W., ALEXANDER G., BAILEY V. (2001). Investments.
12. ARTHUR A. THOMPSON, Jr., STRICKLAND A.J. (2001). Strategic Management: Concepts and Cases, Boston. Mass McGraw-Hill/Irvin.
13. VALDAICEV S.V. (2007). Ocenka biznesa i innovacii. – Moscow: Informacionno izdatelskii dom «Filin».
14. VOLKOV D.L. (2008). Teoriya cennostnoorientirovannogo menedjmenia finansovii I buhgalterskii aspekti. SPb; Visshaya shkola menedjmenta, p. 320.

Electronic resources:

15. DERGUNOV A. Formirovanie strategii predpriyatiya nefteproduktoobescheniya na osnove metodologii sbalansirovannoi sistemi pokazatelei. Available at: http_//www.hr_portal.ru/article/formirovanie_strategii_predpriyatiya_nefteproduktoobescheniya_na_osnove_metodologii_sbalansi.

16. TOPNEFTEGAZ. Business publishing. Available at: http://topneftegaz.ru/analisis/view/7735
17. Investopedia.com. Available at: http://www.investopedia.com/search/default.aspx?q=cash%20flow
18. MANAGAROV R. Obzor metodov rascheta stavki diskontirovaniya. Available at: http://www.cfin.ru/finanalysis/math/discount_rate.shtml
19. KHABAROV M.A. (2004). Upravleniekompaniei s pomoshch'iu EVA [Management of the company with the help of EVA]. Finansovyi director, no. 2.
20. KONINAN.Yu. (2005). Sliyaniya i pogloscheniya v konkurentnoi borbe mejdunarodnih kompanii. Monografiya. M. Prospekt. p. 480.
21. KURASHOVA A.A. (2013). Osobennosti nefteprodukta kak obekta realizacii avtozapravochnih stancii. Sbornik trudov nauchnoprakticheskoi konferencii «Aktualnie problem priborostroeniya, informatiki i socialnoekonomicheskih nauk». MGUPI. Moscow. pp. 85-90.
22. SAVCHUK V.P. Ocenka effektivnosti investicionnih proektov. Available at: http://www.cfin.ru/finanalysis/savchuk/index.shtml
23. SOKOLNIKOVA I. Ocenka denejnogo potoka investicionnogo proekta. Available at: :http://www.fd.ru/reader.htm?id=1317
24. VASINA A.A. (2008). Doiti do tochki bezubitochnosti Available at: www.cfin.ru/finanalysis/math/break_even_point.shtml?printversion
25. VOLKOV I.M., GRACHEVA M.V., ALEKSANOV D.S. Kriterii ocenki proektov. Available at: http://www.cfin.ru/finanalysis/cf_criteria.shtml
26. Rosneft.ru: official website. (2007-2014). Available at: http://www.rosneft.ru.
27. Balance sheet. Profit and loss statement 2010.
28. Balance sheet. Profit and loss statement 2013.
29. Balance sheet. Profit and loss statement 2014.

Appendix 1

Description of Rosneft

Rosneft is the leader of Russia's petroleum industry and the world's largest publicly traded petroleum company. Company's main activities include prospecting and exploration of hydrocarbon deposits, oil, gas and gas-condensate production, upstream offshore projects, processing, as well as oil, gas, and product marketing in Russia and abroad.

The Company is included in the list of strategic companies and organizations of Russia. Company's largest shareholder (69.50% of the equity) is ROSNEFTEGAZ OJSC, fully owned by the Russian Government, while BP holds 19.75% of shares, one share belongs to the state represented by Federal Agency for State Property Management, whereas the remaining shares are free floating.

Rosneft key objectives pertain to production maintenance at mature fields, development of oilfield service business segment and further work offshore. Company's successful performance in 2014 demonstrate efficiency of its strategy, importance of the determined priorities and ensures further sustainable development of the Company.

History of Rosneft. State oil production and refining enterprise Rosneft was founded in April 1993. More than 250 industrial enterprises and organizations, as well as oil and gas fields developed in the Soviet times, were placed into trust of this new government enterprise. Fuel and energy sector enterprises and associated public sector enterprises were consolidated into vertically integrated companies on the model of the world's major corporations. OJSC Rosneft was established in accordance with the Russian Government Decree №971, issued 29 September 1995.

In 1998 Russia's economic crisis presented significant financial and operational challenges for Rosneft, including a production decline due to a severely depleted resource base, low capacity utilization at refineries, and a fall in retail sales. Highly depreciated equipment and outdated technology also put obstacles in the way of Company development.

As far back as in 2000 (for the first time since 1998 financial crisis) Rosneft, however, managed to increase production. In 2001, although world and domestic oil prices fell, the Company has significantly improved its operating performance. Year-on-year growth exceeded 10%.

2013 was a record and pivotal year for Rosneft – both in the sense of our high operational and financial achievements, and in terms of delivery on our strategic initiatives that set the pace for the development of our Company and the industry as a whole for decades to

come. Our Company completed a number of key acquisitions, producing the aggregate synergetic effect in excess of RUB 27 bln. Much work was done in the reporting period to successfully integrate into the Rosneft perimeter the acquired assets of TNK-BP, ITERA Oil and Gas Company LLC and OJSC Sibneftegaz. These efforts have brought Rosneft to the position of the world's largest public oil and gas company.

In 2014, the Company's performance shows a net income of nearly 350 billion rubles. Rosneft maintained the status of the largest taxpayer in the Russian Federation that accounts for around a quarter of all tax revenues of the Russian budget. The Company paid around 3 trillion rubles to budgets of all levels, which amounts to more than 57% of Rosneft earnings and exceeds the rate of the last year for 11.8% (2.7 trn rubles in 2013).

Rosneft is the leader of Russian refining industry. Sustainable development of downstream sector is one of the Company's key strategic objectives. The main goal of Rosneft in this area is boosting volumes of high-quality production sales with high additional costs directly to the final consumer. To reach this goal, the Company is rapidly developing and boosting its refining capacities and sales network.

The structure of the Company includes nine major oil refining enterprises on the territory of Russia: Komsomolsk Refinery, Tuapse Refinery, Kuibyshev Refinery, Novokuibyshev Refinery, Syzran Refinery, Achinsk Refinery, Saratov Refinery, Ryazan Oil Refining Company and Angarsk Petrochemical Company.

The Company also owns four mini-refineries in Western Siberia, Eastern Siberia, Timan-Pechora and the southern part of European Russia with overall annual capacity of 0.6 mln tons of oil per year as well as a stake in the Strezhevskoy mini-refinery in Western Siberia. In Germany Rosneft has stakes in four refineries in Germany with total capacity of 11.5 mln t (in the Company's share).

OJSC Rosneft – main building in Moscow (Russian Federation)

The Company is also manufacturing petrochemical production in Russia on the Angarsk Polymer Plant, which is specializing on ethylene, propylene and polyethylene. The capacity of pyrolysis rig– the main technologic rig of the enterprise – is 300 thousand tons of ethylene per year. Rosneft is dynamically developing production of oils. The basic production sites are the Novokuibyshev Oils and Additives Plant and oil-producing plant, a part of the Angarsk Petrochemical Company as well as Nefteprodukt Moscow plant. The total capacity of these plants is about 600 thousand tons of finished product per year, including 460 tons of lube products. Neftegorsk and Otradnensk gas processing plants, total planned capacity of which is 1.8 bln cubic meters of gas per year, are also a part of Rosneft's structure.

Rosneft's Retail Network. One of Rosneft's strategic objectives is to increase direct sales of its products to final consumers. With that in view, the Company consistently develops its retail network.

The primary objective of the Company retail activity is to increase sales of high quality products with high added value directly to end consumer. For that purpose, Rosneft is expanding its retail network, primarily in strategically important regions, consistently increasing the number of retail sites featuring stores, cafes, car washes and service stations. Petroleum products retail network comprises 2,571 filling stations/ filling complex (including 2,377 filling stations in Russia). Working with end consumers, Rosneft pays special attention to consumer loyalty, considering consumer feedback. Mystery Shopper

program that was aimed at estimating the quality of service at filling stations demonstrated the average quality rate equal to 86 points out of 100 possible in 2014.

The Company also holds leading position on Russian jet fuel market that is maintained through sales of jet fuel at 18 controlled fueling sites and 18 partner fueling sites.

Appendix 2

Network of GS/GC "Samaranefteproduct PJSC"

Address	Sell fuel	Services
No 1 Sizran, Krasnaya street, 2a	AE-92, AE-95,Fora 92	store ; instant payment device; ATM; tire inflation; payment terminal;
GS No 2 Samara, Kutyakova street, 20	AE-92, AE-95,Fora 92	tire inflation; payment terminal;
GS No 3 Samara Zavodskoe shosse street, 6a	AE-92, AE-95, DT	store ; instant payment device; ATM; tire inflation; payment terminal;
GS No 4 Tolyatti, Obvodnoe shosse street,19	AE-92, AE-95, AE-98,Fora 92, DT	store ; instant payment device; ATM; tire inflation; payment terminal;
GS No 5 Samara, Buyanova street,14B	AE-92, AE-95	store ; instant payment device; payment terminal;
GS No 6 Novokuybyshevsk, Gagarina street, 2	AE-92, AE-95, AE-98, Fora 92, DT	store ; instant payment device; ATM; tire inflation; payment terminal;
GS No 7 Samara, Gagarina street, 177	AE-92, AE-95,AE-98, Fora 92, DT	store ; instant payment device; ATM; tire inflation; payment terminal;
GS No 8 Otradnyy, Zheleznodorozhnaya street, 20. trassa Samara-Buguruslan	AE-92, AE-95, DT	store ; ATM; tire inflation; payment terminal;
GS No 9 Samara, Groznenskaya street, 34	AE-92, AE-95, Fora 92, DT	store ; instant payment device; ATM; tire inflation; payment terminal;
GSNo10 Chapayevsk, Lenin street, 61	AE-92, AE-95, Fora 92, DT	store ; instant payment device; ATM; tire inflation; payment terminal;
GSNo11 trassa M5 Moskva-Chelyabinsk, 980 km	AE-92, AE-95, Fora 92, DT	store ; instant payment device; ATM; tire inflation; payment terminal;
GSNo15 Chapayevsk district, 370 km, road Saratov-Samara	AE-92, AE-95, Fora 92, DT	store ; instant payment device; tire inflation; payment terminal;
GS No 17 Kinel-Cherkassy	AE-92, AE-95, DT	store ; payment terminal;
GC No 21 Elkhovka, Bratyev street, 7	AE-92, AE-95, DT	payment terminal;
GS No 22 Kinel, Buguruslan	AE-92, AE-95, Fora 92, DT	store ; instant payment device; tire inflation; payment terminal;
GS No 25 Bolshaya Glushitsa, Dachnaya street, 94	AE-92, AE-95, DT	store ; ATM; tire inflation; payment terminal;
GC No 27 Koshki. st.Pogruznaya, Pervomayskaya street, 53a	AE-92, DT	payment terminal;
GS No 28 Samara. Zavodskoye shosse 29, 4	AE-92, AE-95, DT	store ; instant payment device; tire inflation; payment terminal;
GC No 29 Samara. Moskovskoye shosse, 35 «A»	AE-92, AE-95,AE-98, Fora 92, DT, Fora DT	store ; instant payment device; ATM; tire inflation; payment terminal;
GS No 31 trassa M-5 Moskva-Chelyabinsk. 951 km	AE-92, AE-95, DT	store ; instant payment device; tire inflation; payment terminal;

GS No 32 Surgut, Skvoznaya. 35A	AE-92, AE-95, DT	payment terminal;
GS No 33 Syzran, Kotovskogo street, 1A	AE-92, AE-95, Fora 92, DT	store ; instant payment device; ATM; tire inflation; payment terminal;
GS No 34 Vzgorye. avtodorogi M-5 "Moskva-Chelyabinsk"	AE-92, AE-95, DT , SPBT	store ; instant payment device; tire inflation; payment terminal;
GS No 35 Syzran. Road - san. Volzhskiy Utes (okolo s. Shigony)	AE-92, AE-95, DT	payment terminal;
GSNo36 Podyem-Mikhaylovka street, Sukhova, 2b	AE-92, AE-95, Fora 92, DT	store; tire inflation; payment terminal;
GS No38 Pestravka, Zavodskaya street	AE-92, AE-95, DT	payment terminal;
GC No42 trassa M-5 Moskva-Chelyabinsk. 979 km	AE-92, AE-95, Fora 92, DT	store ; instant payment device; tire inflation; payment terminal;
GC No44 Toliatti, Transportnaya street, 21B	AE-92, AE-95, Fora 92	tire inflation; payment terminal;
GS No45 KrasnyyYar, Dorozhnaya street, 25	AE-92, AE-95, DT	payment terminal;
GC No48 Toliatti, Novozavodskaya street, 41B	AE-92, AE-95, Fora 92,	store ; instant payment device; tire inflation; payment terminal;
GC No49 Toliatti, Avtozavodskoye sh., 14	AE-92, AE-95, AE-98,Fora 92, DT	store ; instant payment device; ATM; tire inflation; payment terminal;
GC No50 Samara, Zubchaninovskoye shosse, 149	AE-92, AE-95, Fora 92, DT , SPBT	store ; instant payment device; ATM; tire inflation; payment terminal;
GC No51 Toliatti, Yuzhnoye shosse, 145	AE-92, AE-95, DT	store ; instant payment device; tire inflation; payment terminal;
GC No52 40 km plus 350 m of road Samara-Buguruslan	AE-92, AE-95, Fora 92, DT	store ; instant payment device; ATM; tire inflation;
GC No54 Pokhvistnevo, Berezhkova street, 54	AE-92, AE-95, DT	store ; payment terminal;
GC No56 Toliatti, Transportnaya street, 20V	AE-92, AE-95, Fora 92, DT	store ; instant payment device; tire inflation; payment terminal;
GC No57 Toliatti, Borkovskaya, street37	AE-92, AE-95, Fora 92, DT	store ; instant payment device; tire inflation; payment terminal;
GC No58 Syzran, Khvalynskaya, 47A	AE-92, AE-95	store ; instant payment device; tire inflation; payment terminal;
GC No60 Samara, Frunze, 1A	AE-92, AE-95, Fora 92, DT	store ; instant payment device; tire inflation; payment terminal;
GC No61 Toliatti, Matrosova, 57	AE-92, AE-95, Fora 92, DT	store ; instant payment device; tire inflation; payment terminal;
GC No62 Syzran, Moskovskiy proyezd, 9	AE-92, AE-95, DT, Fora DT	store ; instant payment device; tire inflation; payment terminal;
GS No65 Krasnoarmeyskoye, Shosseynaya street, 112 (PTO - Shosseynaya. 114)	AE-92, AE-95, DT	payment terminal;

GC No71 Samara. Kryazhskoye shosse, 10	AE-92, AE-95, Fora 92, DT	store ; instant payment device; tire inflation; payment terminal;
GC No72 Sergiyevsk, Lenin street, 95A	AE-92, AE-95, Fora 92	store ; ATM; tire inflation; payment terminal;
GC No74 Toliatti, Novozavodskaya, street, 1	AE-92, AE-95, DT , SPBT	store ; instant payment device; tire inflation; payment terminal;
GC No76 Bogatoye, Yubileynaya street, 46A	AE-92, AE-95, Fora 92, DT	store ; instant payment device; tire inflation; payment terminal;
GC No79 Novokuybyshevsk close to OAO "NK NPZ"	AE-92, AE-95, Fora 92, DT	store ; tire inflation; payment terminal;
GC No82 Bolshaya, Chernigovka street, Dorozhnaya 8	AE-92, AE-95, DT	store ; tire inflation; payment terminal;
GS No83 Shentala,Vokzalnaya 80A	AE-92, AE-95, DT	payment terminal;
GC No84 Isakly, Leninskaya street, 1G	AE-92, AE-95, DT	store ; tire inflation; payment terminal;
GC No85 road "Samara-Volgograd"	AE-92, AE-95, Fora 92, DT	store ; instant payment device; payment terminal;
GC No89 Kamyshla. DRP-3.	AE-92, AE-95, DT	payment terminal;
GC No91 Voskresenka, Samarskaya street, 1D	AE-92, AE-95, Fora 92, DT, For a DT	store ; tire inflation; payment terminal;
GC No93 Samara, Antonova-Ovseyenko street, 52	AE-92, AE-95, Fora 92	store ; instant payment device; ATM; tire inflation; payment terminal;
GC No94 Samara. Krasnoglinskoye shosse 5A	AE-92, AE-95, AE-98, Fora 92, DT	store ; instant payment device; ATM; tire inflation; payment terminal;
GC No95 on the road "Samara-Volgograd"	AE-92, AE-95, Fora 92, DT	store ; instant payment device; tire inflation; payment terminal;
GC No99 Borskoye, Stepan Razin street, 161	AE-92, AE-95, DT	payment terminal;
GC No101 200m Yugo-vostochneyep. Osinki	AE-92, AE-95, Fora 92, DT	store ; tire inflation; payment terminal;
GC No105 Syzran, Dizelnaya street, 13	AE-92, AE-95, Fora 92, DT , SPBT	store ; instant payment device; tire inflation; payment terminal;
GC No107 Samara. Moskovskoyeshosse, 232	AE-92, AE-95, DT	store ; instant payment device; ATM; tire inflation; payment terminal;
GC No108 Samara, Zhiguli street, 62	AE-92, AE-95, Fora 92, DT	store ; instant payment device; tire inflation; payment terminal;
GC No110 Bezenchukul.Polevaya 21	AE-92, AE-95, Fora 92, DT	store ; tire inflation; payment terminal;
GC No111 Syzran, Shosseynaya street, 1	AE-92, AE-95, Fora 92, DT	store ; instant payment device; tire inflation; payment terminal;
GC No112 Neftegorsk, Promyshlennosti street, 18	AE-92, AE-95, Fora 92, DT	store ; ATM; tire inflation; payment terminal;
GC No113 trassa M-5 Moskva-Chelyabinsk.	AE-92, AE-95, Fora 92, DT	store ; instant payment device; tire inflation; payment terminal;

961 km		
GC No115 Samara, Moskovskoye shosse, 28	AE-92, AE-95, Fora 92, DT,Fora DT	store ; instant payment device; ATM; tire inflation; payment terminal;
GC No116 Samara, Moskovskoye shosse, 24 A	AE-92, AE-95, AE-98, Fora 92, DT	store ; instant payment device; ATM; tire inflation; payment terminal;
GC No117 Toliatti, Zheleznodorozhnaya street, 44	AE-92, AE-95, Fora 92, DT	store ; instant payment device; tire inflation; payment terminal;
GC No121 1114 km + 600 m federal road "Ural-5"	AE-92, AE-95, Fora 92, DT	store ; tire inflation; payment terminal;
GC No124 Samara,Yuzhnoye shosse, 8	AE-92, AE-95, Fora 92, DT	store ; instant payment device; ATM; tire inflation; payment terminal;
GC No125 SAMARA-Ufa-Chelyabinsk road. 1038 km + 700 m.	AE-92, AE-95, Fora 92, DT	store ; instant payment device; tire inflation; payment terminal;
GS No128 Alekseyevka,Sovkhoznaya street, 2V	AE-92, AE-95, DT	payment terminal;
GC No131 Svetloye pole. "Samara-p. Bereza" road.	AE-92, AE-95, Fora 92, DT	store ; instant payment device; tire inflation; payment terminal;
GC No135 st.Klyavlino, Sovetskaya street, 61	AE-92, AE-95, DT	payment terminal;
GFS 1 Samara, Promyshlennosti street,118 «A»	AE-92, AE-95,AE-98, Fora 92, DT, Fora	store ; instant payment device; ATM; tire inflation; payment terminal;
FBS- 1 Samara, Sukhaya Samarka, Belorusskaya street, close to 9	AE-92, AE-95, DT	store ; payment terminal;
FBS-2 Protoka Sernaya Volozhkanatraverze 1717.7 km r. Volga (left side)	AE-92, AE-95	payment terminal;