

THE ESSENCE OF ENTERPRISE'S SALES POTENTIAL OF AN INNOVATION AND IT DEPENDENCE ON A MARKET DEMAND

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There are considered main internal and external impact factors on possibility of sales of an innovation in the article. It is determined an interrelation of market consumption potential and volumes of sales of the innovation by the enterprise. It is offered a method of calculation sales potential of the innovation regardless of company's position on the market.

Keywords: *innovation; potential; demand; consumption; market.*

Problem setting. Selling company's goods and services is the basis in forming its profit. Realization amount and cost of sales are the key indicators that define efficiency of any project and enterprise's activity. As innovative projects are very risky in conditions of today's critical situation of economy and uncertainty of the environment, much attention should be paid to research possible market reaction on the introduction of innovative products.

Recent research and publications analysis. Domestic and foreign scientists are engaged in research of a market demand and factors affecting it: U. Voskobiynyk and E. Havaza [1], T. Bashuk [2], L. Maliarets and D. Velykorodna [3] and others. The issue of innovation implementation efficiency is studied by M. Chorna and S. Glukhova [4], T. Pozhueva [5], R. Hilmanova [6], A. Shustov [7] etc.

O. Svirgun [8], O. Farat and R. Rusyn-Hrynyk [9], N. Meheda and T. Gyhlina [10] and others pay attention to different aspects of enterprise potential, in particular, innovative aspect. However, sales potential of an innovation is researched only formally, without going into theoretical essence of this concept.

The research objective. The article is dedicated to investigation of causal relationships between market demand on innovation, potential of its implementation for individual enterprise and its effectiveness.

Key research findings. Evaluation of innovative project is usually accented on financial indicators of project's effectiveness. First of all project's profitability, payback period, expected profit are calculated. Discounted value of future earnings is carried in the case of large payback period. Effect that company receives from using the innovation is the main criterion for determining the expedience of its implementation in economic activity of enterprise.

The efficiency of innovation is measured by correlation of incomes and expenses from its realization. Simultaneously the efficiency of implementation the innovation should reflect the additional benefits from it. Therefore, innovation should be appropriate not only in terms of getting profit, but in terms of increasing the profit. Innovation can be effective when incomes exceed expenses, but its implementation can be not expedient if the profit from it is smaller than basic.

Usually, the main goal of enterprise's innovative activity is rising of development degree and incomes growth. However, when market is on the decline, the company must decide on the partial or complete reorganization for ensuring further profitability of activity. In that case, the comparison of the size of actually-received and projected profits as a result of innovation is not sufficient for making a decision on the expediency of the project implementation. It should be taken into account the market capacity and saturation, its growth rate and enterprise's potential to

implement innovation. The basic internal and external impact factors on sales potential of innovation are shown on figure 1.

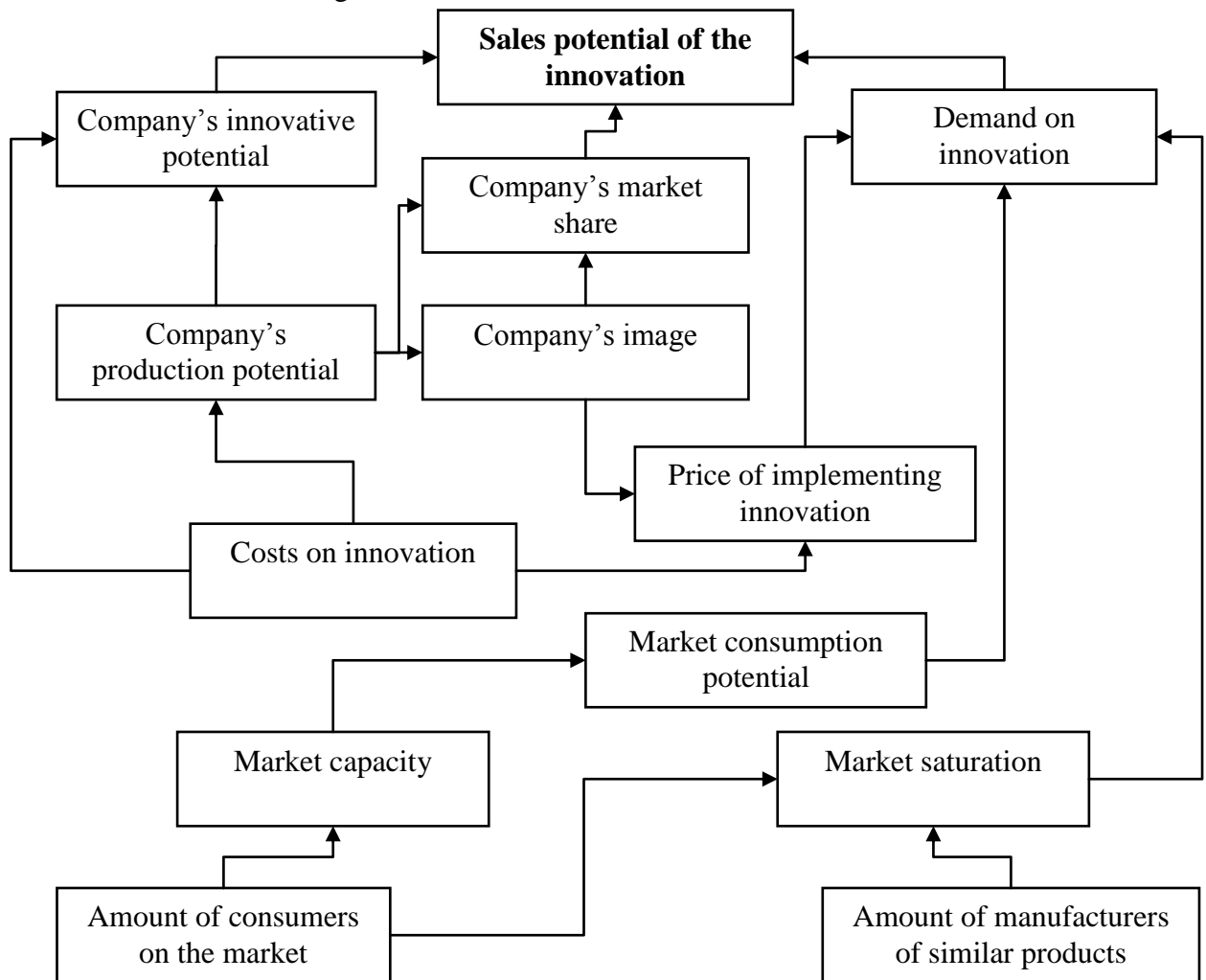


Figure 1. The main impact factors on sales potential of the innovation

Depending on market challenges and enterprise's internal opportunities it can be assessed the degree of increasing the product sales after the implementation of innovation. The important role in the analysis of actual market state and perspectives is played by the demand on products. The main condition for selling of innovation is the presence of unmet demand on the target market. The research of possible consumption of goods clarifies the outlook for it sales on the market.

The amount of sales of the innovation depends on its characteristics, such as product quality, substitutes' availability, degree of change the final product value, etc. A new product can be assessed in terms of originality. It can be absolute innovation without analogues on the market and improving innovation that has better characteristics and provides better meeting the needs compared with existing analogues on the market.

A capability of selling goods is indicated by a consumption potential of market. The term "potential" (lat. – force) means opportunity, ability, force that exists in a latent form and can be detected under certain conditions [8]. The indicator of consumption potential of the market takes into account changing of market demand level after introduction of innovative product. It should be distinguished from the market capacity, which reflects the possible sales of products based on the calculation of responsible demand and supply the goods on the market [1].

The calculation of market consumption potential takes into account the change in demand caused by improving the quality characteristics of the product. We offer to calculate it using the following formula:

$$CPM = Q \times p \times E_{AD} \times MGR, \quad (1)$$

where CPM – consumption potential of the market;

Q – quantity of sales goods in the previous period;

p – price of goods in the previous period;

E_{AD} – elasticity of demand;

MGR – market growth rate.

Sales potential of the innovation on the market correlates with the market consumption potential. The innovation can be sold in such scope like the market can consume it. Sales potential of the innovation for the enterprise depends on the market consumption potential but it varies depending on particular company. The same product presented by different market participants can cause different response of consumers on it. Production capacity of ensuring an appropriate product quality, manufacturer and brand image etc. can change consumers' view on the same innovation.

Applying the concept of potential to the enterprise's economic activity and, in particular, innovative activity it can be determined the favorability of company's internal and external environment factors for achieving its goals. Since the purpose of innovative activity is to create and implement innovations that satisfy needs of a certain range of customers, sales potential of the innovation on the market is the part of its consumption potential, which varies depending on the manufacturer. Therefore, it is necessary to calculate the degree of sales potential of the innovation, which shows the possibility of realization the innovation by specific enterprise considering of its current state as well as its internal and external opportunities.

In the conditions of market competition when the enterprise doesn't have a monopoly, sales potential of the innovation for it is smaller than the market consumption potential and depends on the market share of particular company:

$$SPI = CPM \times MS \times k_{MS}, \quad (2)$$

where SPI – sales potential of the innovation;

CPM – consumption potential of the market;

MS – market share of the enterprise;

k_{MS} – coefficient of projected change in the market share of enterprise.

It should be held control measures in the result of an innovative process. It should be determined the level of revenues caused by implementation of innovation compared with the calculated sales potential of the innovation. The degree of using sales potential of the innovation can be calculated with the following formula:

$$SPI_{real} = Incomes / SPI * 100\%, \quad (3)$$

where SPI_{real} – degree of using sales potential of the innovation;

$Incomes$ – enterprise's revenues from implementation of the innovation;

SPI – sales potential of the innovation.

An indicator of sales potential of the innovation can be used to assess innovative projects in the prospect. It focuses on volumes of purchases the new products by consumers that influence on magnitude of the innovation implementation resulting effect. A need of making recurring purchases of the product in a short time raises the project payback period and size of innovator's profit.

Conclusion and prospects for further research. The sales potential of the innovation is an important indicator to assess the efficiency of innovative project. It is focused on the determining of cause-effect relationships between the market state and the enterprise capability to implement its innovation on this market.

Competitiveness of the enterprise and innovation offered by it, level of market competition, actual industry's state in which the company operates and other internal and external impact factors determine the scale of change in company's market share after innovative activity. In-depth study of these factors will help more clearly predict the amount of possible sales of innovative product. It can provide more justification for managerial decisions on selection of innovative projects that the company realizes, thus can increase the enterprise's innovative activity efficiency.

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