

Biljana Predic¹, Danijela Stosic²

STRATEGIC ANALYSIS OF COMPETITIVE ENVIRONMENT: THE CASE OF PHILIP MORRIS OPERATIONS AD NIS, SERBIA

The paper presents a strategic analysis of the competitive environment of Philip Morris Operations AD Nis, the largest cigarettes producer in the Serbian market. Given the company's particular importance for the Serbian economy, there is a need to identify and analyze competitive determinants of the company's current and future position. Strategic analysis of the company's competitive environment, realized on the basis of publicly available data, suggests that the company has a dominant position in the competitive market, as well as that there is a solid base for its further growth and development. However, it is necessary to account for the specifics of the industry in which it operates, in particular the government policy aimed at achieving positive effects for wider community, and the growing antismoking campaigns that have the most significant impact on the company's business.

Keywords: strategic analysis, competitive advantages, Philip Morris Operations AD Nis.

Біляна Предич, Даніела Стошич

СТРАТЕГІЧНИЙ АНАЛІЗ КОНКУРЕНТНОГО СЕРЕДОВИЩА: НА ПРИКЛАДІ "PHILIP MORRIS AD NIS", СЕРБІЯ

У статті представлено стратегічний аналіз конкурентного середовища тютюнової компанії "Philip Morris Operations AD Nis", яка є найбільшим виробником тютюну на сербському ринку. Враховуючи важливість даної компанії для сербської економіки в цілому, необхідно виділити та проаналізувати фактори, що визначають конкурентоспроможність компанії на сьогодні та у майбутньому. Стратегічний аналіз конкурентного середовища, проведений на основі публічно доступної інформації, вказує на домінуючу позицію компанії на ринку, що може стати базою для подальшого розвитку та зростання. При цьому необхідно враховувати специфіку галузі, зокрема, державну політику щодо виробництва тютюну, а також антитютюнові соціальні кампанії, що мають суттєвий вплив на розвиток цього бізнесу.

Ключові слова: стратегічний аналіз, конкурентні переваги, Philip Morris Operations AD Nis.

Табл. 2. Літ. 44.

Біяна Предич, Даниэла Стошич

СТРАТЕГИЧЕСКИЙ АНАЛИЗ КОНКУРЕНТНОЙ СРЕДЫ: НА ПРИМЕРЕ "PHILIP MORRIS AD NIS", СЕРБИЯ

В статье представлен стратегический анализ конкурентной среды табачной компании "Philip Morris Operations AD Nis", которая является самым большим производителем табака на сербском рынке. Учитывая важность данной компании для экономики Сербии в целом, необходимо выделить и проанализировать факторы, определяющие конкурентоспособность компании на сегодня и в будущем. Стратегический анализ конкурентной среды, проведенный на основе публично доступной информации о компании, указывает на доминирующее положение компании на рынке, что даёт солидное основание для будущего роста и развития. При этом необходимо учитывать специфику развития отрасли, в частности, государственную политику в табачной отрасли и антитабачные социальные кампании, которые оказывают существенное влияние на данный бизнес.

Ключевые слова: стратегический анализ, конкурентные преимущества, Philip Morris Operations AD Nis.

¹ University of Nis, Serbia.

² University of Nis, Serbia.

1. Introduction

Company's competitiveness is the result of a complex interaction of factors within external and internal environments. The company's current position, as well as the possibility and the directions of its repositioning are determined by these factors. Therefore, their identification and analysis are the basis for the overall strategic management process. One level of strategic analysis involves the analysis of competitive environment as a "closer" part of the company's external environment. The identification and analysis of the key factors of this environment for the Philip Morris Operations AD Nis will be carried out in this paper.

The paper is organized as follows: after the analysis of the theoretical insights into the strategic analysis, the key moments in the business history of Philip Morris International are shown. The fact that the company is growth driven, and that its entry into the Serbian market is one of the most significant privatization events in Serbia (especially in the less developed region of south-eastern Serbia) have made the company a suitable object for such analysis. In this segment of the paper the issues of the company's entry into the Serbian market are also discussed. Given the company's importance for the overall Serbian economy, and in particular for the Nisava District, its growth and development have become the subject of a wider social interest. Therefore, in the fourth part of the paper the company's competitive environment is analyzed in order to identify the key competitive determinants of the current and future positions of a company, since at present, by meeting its tax liabilities, it forms about 6% of the national budget.

2. Strategic analysis of the company's environment literature review

There are different classifications of the factors that affect business, growth and development of an enterprise. Nevertheless, in most cases all factors of business competitiveness and of business growth and development are classified into two main groups of factors – a group of internal and a group of external factors. Identification and analysis of these factors is the essence of strategic analysis as the first stage of a strategic management process.

Factors of the external environment can be analyzed as general factors and as the factors of competitive environment (White, 2004). General environment is the macrolevel external environment. Factors from this environment affect the business of all participants in one economic system and are generally outside of their direct control (Ritson, 2008; Hitt, Ireland, Hoskisson, 2007). The methodological framework for the analysis of these factors involves identifying specific segments of the general environment (White, 2004). There are various analytical tools for general environment analysis which differ in the number of its segments they identify as important. One of the commonly used techniques for general environment analysis is the PEST³ analysis, the technique that involves the 4 key segments of the general environment (ibid.). This methodological framework is a simplified display of the general environment reality and it can be adjusted by adding a new segment, or by a more detailed overview of an existing one, depending on the objective of the analysis, e.g. PESTEL, SPENT⁴ analysis

³ PEST - Political, Economic, Social, Technological.

⁴ PESTEL - Political, Economic, Social, Technological, Environmental, Legal. SPENT - Sociodemographic, Economic, Political, Natural, Technological.

(Campbell, Stonehouse, Houston, 2002; White, 2004; Lynch, 2006; Ritson, 2008). After identifying the general environment key factors, it is necessary to determine the significance of their dynamics for future of an industry and of a company, to analyze changes with the expected significant influence and to determine their effect on business conditions and on a specific company's growth and development (Ritson, 2008).

Competitive environment is a part of the external environment that is "closer" to a company and its factors of influence on business is more direct and visible, but also under larger possible reverse influence of an enterprise itself (White, 2004; Ritson, 2008). The analysis of competitive environment is the basis for identifying the nature of competition and the competitive position of an enterprise as well as the profit potential of an industry in which it is operating (Campbell, Stonehouse, Houston, 2002; Hitt, Ireland, Hoskisson, 2007). Competition intensity and profitability of a particular industry is determined by the state and the action of 5 competitive forces – the intensity of the existing competition, the threat of new competitors entry, the bargaining power of suppliers, the bargaining power of buyers and the pressure of substitutes (Table 1). Once competitive forces are identified and their impact is assessed, company's management should determine its current position subject to those forces and then define its target position and tools for achieving it (Porter, 1998b).

Table 1. Competitive forces and their impact on the industry participants' profit

Determinants of Competitive Forces' Strength	Competitive forces	Positive effects on profitability	Negative effects on profitability
Number and size of competitors Industry growth Fixed costs Differentiation and switching costs Strategic importance of an industry/market Exit barriers	Intensity of rivalry among existing competitors	Low level of competition	Intense competition
Barriers to entry Expected retaliation	Threat of entry	Lower risk for new entry	Higher possibility for new entry
Industry vs. substitute products price and quality Willingness of consumers to substitute products (ease of substitution, costs of substitution)	Substitute products	Few possible substitutes	Many possible substitutes
Number of buyers Relative share in company's buyers portfolio Importance of a purchasing object for a buyer Standardization of a purchasing object Switching costs for buyers	Bargaining power of buyers	Weak buyers	Strong buyers
Number of suppliers Importance of a company for a supplier Standardization of purchasing objects Possibilities and costs of switching to a new supplier Importance of a supplying object for a company	Bargaining power of suppliers	Weak suppliers	Strong suppliers

Adapted from: Porter, 1998b; Campbell, Stonehouse, Houston, 2002.

Factors from the external environment define the framework in which the internal company's potential for growth and development can be realized. Therefore, both

external and internal environments shape the incentives and the constraints for business growth and development. Strategy formulation necessarily involves the analysis of the company's internal environment. The feasibility and the costs of implementing certain strategies are partly determined by the factors within a company (Ritson, 2008). In order to identify the basis for business competitiveness and its competitive advantage it is recommended to disaggregate the enterprise to the level of activities that generate value. Therefore, the main instrument for the internal environment analysis is the value chain (Porter, 1998a). In addition to the value chain, the conceptual framework for identifying and analyzing the sources of (sustainable) competitive advantage is the framework of resources analysis and the analysis of company's competencies and its core competencies (Prahalad, Hamel, 1990; Barney, 1991).

3. Philip Morris International (PMI) as a growth oriented company and its entry into the Serbian market

PMI is a leading tobacco company, operating in more than 150 countries worldwide with the 16% share of the global cigarette market, excluding the US (PMI, 2013b). Beginning of the company's business is tied to the middle of the 19th century, when Philip Morris opened a shop in London for selling tobacco and cigarettes (PMI, 2013a). Key historical events after the World War II (ibid.) indicate a constant orientation of the company onto growth and development. A part of intensive growth strategy of PMI, based on product and market development, is the production internationalization. In 1980, PMI opened a plant in the Netherlands as its largest factory outside the US.

After the opening of the ex-communist systems, the company continued the strategy of production and sales internationalization. In 1992, PMI bought a state-owned Czech tobacco company. Continuing the growth direction, over the 1990s the company participated in the privatization of tobacco companies in other Central and Eastern European countries, and opened its first manufacturing plant in Asia. The main financial effect of the continued growth of the company was a hundredfold increase in operating income during 1970–2002. PMI continues its expansive growth in the 21st century by purchasing tobacco companies in Greece, Serbia, Colombia and Indonesia. The intrinsic growth orientation of the company is reflected by the fact that in each of the previous 4 cases the companies that were bought have been the largest companies in their respective markets. The 50-year implementation of the growth strategy resulted in the fact that PMI became a leading global tobacco company in 2008. In achieving a clear strategic goal – to become a market leader – the company has implemented a variety of growth methods, according to the specific context of achieving the objective defined. Growth driven, the company has become the global leader by using the method of internal (increasing its own production capacity), external (purchase and acquisition of existing tobacco companies) and the combined growth (various cooperation agreements and joint ventures).

An entry of such growth oriented company into the opening Serbian market was one of the most important privatisation events in the Republic of Serbia (RS) with a significant growth potential for developing the Serbian market economy. Today, this company is a Serbian tobacco leader of great importance for the national, and especially for the local economy, so there is an obvious need to explore its current competitive position and to identify the perspectives for its future growth and develop-

ment. For most of the second half of the 20th century, the economic system of the RS has been the combination of market-plan economy and social ownership system (Privatization Agency of the RS, 2005). Since the 1990s when the transition to market economy in the RS has begun, there have been several changes in the regulatory framework for ownership transformation (more in *ibid.*, pp. 12–14). In one phase of privatization process in Serbia the largest domestic tobacco company, Tobacco Industry Nis (TIN), was sold and became the Philip Morris Operations (PMO) AD Nis. The majority of its shares (85.28%) was sold in September 2003 to the company Phillip Morris Holland BV. The company was sold for 387 mln EUR, with the obligation of the buyer to invest another 64.85 mln EUR and provide 66.18 mln EUR for a social program considering workers (*ibid.*, p. 146). Measured by privatization revenues, this is one of the largest privatizations in Serbia (*ibid.*, p.17).

PMI entering the Serbian market should be viewed in a broader context of the company's growth strategy, i.e. as an aspect of entering the Eastern and Central European markets. The decision to enter the Serbian market by buying the local tobacco factory was motivated by the attractiveness of the factory bought – its existing production capacity and financial performance, as well by the fact that TIN was a domestic tobacco market leader, covering about 60% of the domestic market. In addition to the dominant market share, by purchasing TIN, PMI has become one of two companies that owned the license to manufacture cigarettes in the RS and the issuance of new licenses was not planned before January 2005. Having such manufacturing exclusivity during the first years of operations in Serbia, PMI could project its growth in a stable competitive environment. In addition, the excise tax policy of Serbian Government was supportive for the company's growth and development. In particular, during 2005–2007 the excise for domestic cigarettes was 1 RSD, while the excise on imported cigarettes was 10 RSD. In the period 2007–2010, the excise on domestic cigarettes increased in 2 RSD, but in spite of this increase the excise on imported cigarettes was still 400% higher. By purchasing TIN, PMI became a part of the domestic tobacco industry, and alongside with the significant government protective measures for this industry, a large domestic cigarette market was an additional impetus for the company's performances growth. About 1/3 of Serbian population were smokers in 2006 (Institute of Public Health of Serbia, 2012), and Serbia is among the leading European countries when it comes to smoking rates – annually on average over 2,500 cigarettes per capita are smoked in Serbia (Eriksen, Mackay, Ross, 2012).

4. Philip Morris Operations AD Nis competitive environment

The study of the company's competitive environment is realised by exploring and analysing the publicly available data on the issue. Currently 4 companies have a license to manufacture tobacco products in the RS (Tobacco Administration, 2013c)⁵. The entire tobacco industry supply chain is highly regulated. The Law on Tobacco (National Assembly of the RS, 2011b) and other legislative norms define the requirements that every business entity must meet if it is to be a part of the tobacco industry supply chain. Participant at any point in the supply chain must have a license to perform operations, and the law prescribes the validity period and the conditions for acquisition, renewal and revocation of licenses. The Tobacco Administration, an

⁵ Philip Morris Operations AD Nis, JT International Senta, British American Tobacco Vranje, Monus.

organizational unit of the Ministry of Finance and Economy of the RS, determines the compliance with the defined requirements, issues/renews licenses and keeps registers of participants in the tobacco supply chain. All direct competitors of PMO AD Nis are registered to conduct business throughout a large part of the supply chain (Tobacco Administration, 2013a–2013f). Although registered for the activities along the supply chain, the main activity of PMO AD Nis is the cigarettes production and sale (PMO AD Nis, 2012a, 2012b).

Regarding the criteria for the companies' size classification (National Assembly of the RS, 2006), all manufacturers of tobacco products in the RS are large scale companies. In the period 2008–2011, the company PMO AD Nis and the company Monus realized a net profit, while the other two tobacco companies realized net loss (Serbian Business Registers Agency, 2013a–2013d). In accordance with the general employment trends at the macrolevel, during the analyzed period all the 4 companies experienced a staff reduction. As a result of investments in modern equipment that requires less labour, as well as the result of transfer of certain activities to third parties, in 2011 PMO AD Nis laid off 82 workers, which is the reduction by 14% as compared to 2010 (PMO AD Nis, 2012a). As for the dynamics of financial performances, there is no uniformity in the monitored companies. In the analyzed period, the company PMO AD Nis recorded a decrease in net income and operating income. At the same time, the first following competitor (JT International Senta) operated with a loss during the entire period. After the privatization, PMO AD Nis has maintained a dominant market share (Table 2). The absolute market share⁶ indicates that during the analyzed period PMO AD Nis realized nearly 2/3 of the total tobacco product producers' income in Serbia. The company's relative market share indicates its consistent leadership position (Table 2).

Table 2. Tobacco companies' absolute and relative market share (MS) in the Republic of Serbia in 2008–2011

Tobacco company	Year	Absolute MS (in %)	Average absolute MS (in %)	Relative MS	Average relative MS
Philip Morris Operations Nis	2011	60	62	3.33	3.79
	2010	61		4.28	
	2009	63		3.85	
	2008	64		3.71	
JT International Senta	2011	18	15	0.30	0.24
	2010	13		0.22	
	2009	16		0.26	
	2008	13		0.20	
British American Tobacco Vranje	2011	12	14	0.20	0.23
	2010	14		0.23	
	2009	14		0.22	
	2008	17		0.27	
Monus	2011	10	9	0.17	0.14
	2010	12		0.19	
	2009	7		0.11	
	2008	6		0.09	

The calculations are based on: Serbian Business Registers Agency, 2013a–2013d.

⁶ The ratio between the individual operating income of each company and the total operating income of all 4 tobacco products manufacturers.

Although a market leader, PMO AD Nis net income and operating income recorded in 2011 were the lowest in the last 5 years period. In comparison to 2010 a decline in net profit by 54% was recorded and the operating income was reduced by 8% (ibid., 2013a). The company's management sees the general decline of purchasing market power which led to the market share reduction for about 2% and to the decrease in sales volume – and high share of taxes in a cigarettes sales price as the primary reason for the described dynamics of financial performance (PMO AD Nis, 2012a). During the first 6 months of 2012 PMO AD Nis suffered a loss, primarily due to intensified competition and increased excise burden (PMO AD Nis, 2012b). However, the management does not consider that the company's survival, its growth and development is at risk (ibid.). In 2008, the revenues from the tobacco excise represented 6% in the total Serbian budget revenues. In 2013, the share has been increased to 11%, with a constant growth during this period (National Assembly of the RS, 2007a, 2008, 2009, 2010a, 2011a, 2012). Despite the negative financial performances' dynamics, PMO AD Nis is continually among the most successful companies⁷ in the RS (Ministry of Finance of the RS, 2010; Serbian Business Registers Agency, 2012).

As for the threat of entry, it should be noted that the production of tobacco products is a highly regulated area. According to the Law on Tobacco the production of tobacco products in the RS is not possible without a proper license. As has been already mentioned, for a certain period after entering the Serbian market, PMO AD Nis was protected from new competitors entry. Two new production licenses were issued in 2005. After this, no new licenses were granted. In addition to the limited freedom of entry into the tobacco products production, entry barriers – in terms of the required minimum size of the installed annual capacity, possession of equipment to perform all phases of production process from tobacco preparation to the production of tobacco products, hiring skilled workers and alike – are also regulated (ibid.). The competition became more intense due to the decrease of the tobacco market. In the period 2000–2006, smoking volumes in Serbia decreased by 6.9% – from 40.5% to 33.6% (Institute of Public Health of Serbia, 2012). Reduced Serbian tobacco market is partly determined by the reduced purchasing power and increased cigarettes prices, and in part due to non-smoking campaigns' effects and the result of the Law on Protection of the Public from Exposure to Tobacco Smoke (National Assembly of the RS, 2010b) implementation. A significant reduction in citizens' exposure to the second-hand smoke and changes in the smokers' behaviour have been achieved after a year of implementation of this Law (Ministry of Health of the RS – Commission for Prevention of Tobacco Use, 2011). In fact, nearly 50% of Serbian smokers now want to stop smoking, and a fifth of all smokers reduced the number of cigarettes smoked per day. Therefore, in the condition of reduced number of smokers followed by a reduced demand frequency, one should expect the competition to intensify.

Substitutes for cigarettes are other forms of tobacco – smoking tobacco, chewing tobacco and tobacco for sniffing. Chewing and sniffing tobacco products constitute the smokeless tobacco market, which is a significant and growing segment of the tobacco products consumption. The sales value of smokeless tobacco products grew

⁷ Different success criteria were analyzed - revenues, net income, capital, total assets.

by 280% in the US during the 1985–2010 (Federal Trade Commission, 2012), while the projected global growth in sales volume is 67% for the period 2000–2015 (Eriksen, Mackay, Ross, 2012). Recognizing this trend, today's leading cigarettes producers are entering the segment of smokeless tobacco products (*ibid.*). Similarly, PMI entered into a joint venture with the Swedish Match AB company for global commercialization of smokeless tobacco in 2009 (PMI, 2013a). However, in certain countries there is a complete or partial ban on production, sale and imports of these products. In the EU there is a partial ban since the EU Directive banned the production and sale of tobacco products for oral use (European Parliament and Council of the EU, 2001). As for the RS, the Law on Tobacco recognizes tobacco for smoking, chewing and sniffing as tobacco products that may be produced and marketed. In the first half of 2012 officially there were 10 registered brands of chewing tobacco and 5 registered brands of sniffing tobacco at the Serbian market (Tobacco Administration, 2012). However, there are no data on the number of users of smokeless tobacco products in the RS (*ibid.*). Regarding the tobacco for smoking as a substitute for cigarettes, currently in Serbia there are 46 registered brands of tobacco for pipe, and 33 cut tobacco brands. According to the official data, the cigarette sales makes 99.67% of the total tobacco products sales, while the sales of tobacco for smoking makes 0.09% of the total sales (*ibid.*). On the basis of such a domination of cigarettes sales in the total tobacco products sale it can be concluded that the strength of substitutes as a force in the competitive environment in the RS is not great. However, due to reduced consumer purchasing power and higher cigarettes prices in recent years there is a noticeable increase in demand for cut tobacco. The problem is the fact that according to the estimates a significant portion of this tobacco product sale is realized on the black/grey market and remains outside the formal market.

As for the buyers, PMO AD Nis operates in the B2B market, i.e. the wholesale market (PMO AD Nis, 2012a). Since this is a regulated segment of the supply chain, the legally defined entry barriers partly limit the number of company's buyers, as well as the dynamics of their quantity. Regarding the financial relationships with its buyers, PMO AD Nis sales and payment policy permits selling only to the buyers who have a satisfactory credit history (*ibid.*). Payment of the sold product is assured by bank guarantees and promissory notes. The fact that even in the time of crisis the company has no problem in collecting its receivables (PMO AD Nis, 2012a, 2012b) is the result of its proper receivables management. Given PMO AD Nis dominant market share at the Serbian market, and therefore the importance that this company has as a salesman for its individual buyers, it can be concluded that PMO AD Nis is a participant with greater bargaining power relative to its buyers. As the dominant partner, the company shows its interest to cooperate and improve relationship with its buyers. In that sense, in 2011 PMO AD Nis was the first at the Serbian market to enable mobile phone payment of invoices for its retail partners (Real Time Clipping, 2011).

After the privatization of tobacco companies, tobacco production in Serbia recorded a decline, while at the macrolevel Serbia is a net importer of all forms of tobacco (Ministry of Agriculture, Forestry and Water Management of the RS, 2006). The obligations for tobacco products manufacturers to produce or use domestic processed tobacco in the quantities at least 50% of their own annual cigarettes pro-

duction (but not less than 2,000 t) ceased to exist after the adoption of the Law on Amendments and Supplements to the Law on Tobacco in 2007 (National Assembly of the RS, 2007b). That increased the freedom of tobacco producers in their supplier selection processes. According to PMO AD Nis annual reports, the company's solvency is not at risk because the generated cash flows are sufficient to cover its liabilities. Similar to the relationship with its buyers, the size of PMO AD Nis market share indicates its size, and thus the importance that the company has for its suppliers. That fact essentially determines the ratio of the bargaining power of participants in the upstream part of the supply chain.

5. Conclusion

PMI business is characterized by the constant growth orientation which is evidenced by the fact that in every decade of the second half of the 20th century there was a new market entry. The entry into the Serbian market by buying the largest national tobacco company was a part of its production internationalization strategy. In the environment of government protection for the domestic tobacco industry, a significant domestic market and a limited number of local producers, for PMI buying a profitable company with a considerable internal potential and with a dominant market share represented a solid base for further growth.

Competitive environment of PMO AD Nis in Serbia today is characterized by a relatively small number of competitors, insignificant pressure of substitutes and highly regulated possibility for a new entry. Given the market importance of a company covering almost 2/3 of the Serbian cigarettes market, relations in the downstream and the upstream part of the supply chain are characterized by strong bargaining power of PMO AD Nis. Although the deregulation of a part of the upstream supply chain relationships increased cigarettes producers' freedom in choosing their tobacco suppliers, this measure had a negative impact on domestic raw materials, i.e. tobacco production. After the privatization, a long tradition activity in the RS – production of tobacco records a continual decline. The reduced purchasing power and the rising anti-smoking campaigns intensify the rivalry among the existing cigarette manufacturers. Increased cigarette prices followed by reduced smokers' household budgets lead to increasing consumption of cheaper substitutes. Despite the fact that in 2011 the company has realized the lowest financial results in the last 5 years, it is still a leader in the industry, and its management does not believe that its growth and development are threatened. It seems that the position and the growth of the company, a dominant player at the domestic cigarette market, are mostly influenced by the government which is regulating virtually every aspect of the company's business.

References:

- Barney, J.* (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1): 99–120.
- Campbell, D., Stonehouse, G., Houston, B.* (2002). *Business Strategy*. Oxford: Butterworth-Heinemann.
- Eriksen, M., Mackay, J., Ross, H.* (2012). *The Tobacco Atlas*. Atlanta, USA: The American Cancer Society.
- European Parliament and the Council of the EU (2001). Directive 2001/37/EC. *Official Journal of the European Communities*, 194: 24–36.
- Federal Trade Commission (2012). *Smokeless Tobacco Report for 2009 and 2010*.
- Hitt, M., Ireland, D., Hoskisson, R.* (2007). *Strategic Management: Competitiveness and Globalization – Concept and Cases*. Mason: Thomson Higher Education.

Institute of Public Health of Serbia Dr Milan Jovanovic Batut (2012). Health Statistical Yearbook of Republic of Serbia, 2011. Belgrade.

Lynch, R. (2006). Corporate Strategy. Harlow: Pearson Education Limited.

Ministry of Finance of the Republic of Serbia (2010). The 100 most Successful Companies in the Republic of Serbia. Belgrade.

Ministry of Agriculture, Forestry and Water Management of the Republic of Serbia (2006). Tobacco Production in Serbia. Belgrade.

Ministry of Health of the Republic of Serbia – Commission for Prevention of the Tobacco Use (2011). Forth research on Law on protection of the public from exposure to tobacco smoke implementation effects.

National Assembly of the Republic of Serbia (2006). Law on Accounting and Auditing.

National Assembly of the Republic of Serbia (2007a). The Budget Law for 2008.

National Assembly of the Republic of Serbia (2007b). The Law on Amendments and Supplements to the Law on Tobacco.

National Assembly of the Republic of Serbia (2008). The Budget Law for 2009.

National Assembly of the Republic of Serbia (2009). The Budget Law for 2010.

National Assembly of the Republic of Serbia (2010a). The Budget Law for 2011.

National Assembly of the Republic of Serbia (2010b). Law on Protection of the Public from Exposure to Tobacco Smoke.

National Assembly of the Republic of Serbia (2011a). The Budget Law for 2012.

National Assembly of the Republic of Serbia (2011b). Law on Tobacco.

National Assembly of the Republic of Serbia (2012). The Budget Law for 2013.

Philip Morris International (2013a). Our History. http://www.pmi.com/eng/about_us/pages/our_history.aspx (18.01.2013).

Philip Morris International (2013b). The Company Overview. http://www.pmi.com/eng/about_us/company_overview/pages/company_overview.aspx (26.01.2013).

Philip Morris Operations AD Nis (2012a). Annual Report of the Public Business Subject for the Year ended on 31.12.2011. Nis.

Philip Morris Operations AD Nis (2012b). Semiannual Report of the Business Subject for the First Six Months of the 2012. Nis.

Porter, M. (1998a). Competitive Advantage: Creating and Sustaining Superior Performance. New York: Free Press.

Porter, M. (1998b). Competitive strategy: Techniques for Analyzing Industries and Competitors. New York: Free Press.

Prahalad, C.K., Hamel, G. (1990). The Core Competence of the Corporation. Harvard Business Review, 68(3): 79–91.

Privatization Agency of the Republic of Serbia (2005). Impact Assessment of Privatisation in Serbia. Belgrade.

Real Time Clipping (2011). Pregled medijskih objava. Beograd.

Ritson, N. (2008). Strategic Management. Frederiksberg: Ventus Publishing ApS.

Serbian Business Registers Agency (2012). The 100 most ... companies in the RS for the 2011. Belgrade.

Serbian Business Registers Agency (2013a).

<http://fi.apr.gov.rs/prijemfi/cir/Podaci1.asp?Search=07319665&code=df3cba9a830de56d0f44179cd25b97564b29b5cd> (19.01.2013).

Serbian Business Registers Agency (2013b).

<http://fi.apr.gov.rs/prijemfi/cir/Podaci1.asp?Search=07178972&code=7c85b0f44bc581f47ebc10b088fd405604783> (19.01.2013).

Serbian Business Registers Agency (2013c).

<http://fi.apr.gov.rs/prijemfi/cir/Podaci1.asp?Search=08052441&code=e66ec1e6cb7a7cc2db5f52f7148f36cc5f6769e4> (19.01.2013).

Serbian Business Registers Agency (2013d).

<http://fi.apr.gov.rs/prijemfi/cir/Podaci1.asp?Search=06921493&code=a059180a26060c7e9a33cbc7f670ca976a88f2b7> (19.01.2013).

Tobacco Administration (2012). Tobacco and Tobacco Products Market in the Republic of Serbia 01.01.2012–30.06.2012. Belgrade. http://duvan.gov.rs/dokumenti/analize_i_izvestaji (20.01.2013)

Tobacco Administration (2013a). Business Subjects Registered as Tobacco Producers. Belgrade.

- Tobacco Administration (2013b). Business Subjects Registered as Tobacco Processors. Belgrade.
- Tobacco Administration (2013c). Business Subjects Registered as Tobacco Products Producers. Belgrade.
- Tobacco Administration (2013d). Business Subjects Registered as Tobacco Products Wholesalers. Belgrade.
- Tobacco Administration (2013e). Business Subjects Registered as Importers of Tobacco, Processed Tobacco and Tobacco Products. Belgrade.
- Tobacco Administration (2013f). Business Subjects Registered as Exporters of Tobacco, Processed Tobacco and Tobacco Products. Belgrade.
- White, C.* (2004). *Strategic Management*. Hampshire: Palgrave Macmillan.

Стаття надійшла до редакції 28.03.2013.