

WAYS TO INCREASE COMPETITIVENESS OF CJSC “HOLDING PINSKDREV”

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CJSC “Holding Pinskdev” is the oldest enterprise in Pinsk, and also in the all woodworking industry of the Republic of Belarus. The enterprise will celebrate its 140th anniversary in 2020. It is the leader in the production and sales of upholstered and cabinet furniture for homes and offices in Belarus [1].

The Russian market has been the main export market for CJSC “Holding Pinskdev” products for several years. Kazakhstan is also one of the important economic partners.

The company supplies furniture and plywood to the German market. For several years two German companies have been successfully working with these types of products by the company: Elastoform Polsterbel GmbH & Co and Ro.mann Maßmöbel GmbH (for furniture) and Albert Karsten (plywood) [2, p. 78].

To analyze the competitiveness of an enterprise in terms of environmental factors it seems most effective to use M. Porter’s five factor model, since this model covers a wide range of factors for a detailed analysis and makes it possible to clearly identify threats to the enterprise and its capabilities in the foreign market of the woodworking industry.

Analysis of CJSC “Holding Pinskdev” competitiveness was performed using the five factor model of M. Porter. Each of the five forces concerning the enterprise is described below.

Treat of new entrants. Plywood and match production have a high impact. The high barriers to entry into this industry are caused not only by the high concentration of production, but also by a number of technological features in production. For plywood they are the seasonality of raw material, the dependence of quality on raw materials, high demands on product quality. At the same time, plywood and match production is characterized by high capital intensity. It is an obstacle to the entry of new enterprises into the market.

The furniture industry has an average level of influence. For today 20% of domestic furniture production is produced by small and micro organizations. In the Russian Federation, where most of the supply is carried out, their share reaches 40%.

The threat of substitute products or services. Plywood has a medium level of influence. “OSB” boards manufactured abroad for wall, floor, ceiling, furniture and container making can be considered as substitute products in this segment. The most noticeable threat is the replacement of plywood by plates in the construction sector.

Matches have a high impact. There is a decrease in demand for matches. It is associated with the wide distribution of cheap lighters and the presence of electric ignition in modern gas consumption devices.

Furniture has a low impact. Goods are competitive in the foreign market of far and near abroad in quality and level of modernization, but in low and medium price segments.

The bargaining power of suppliers. Plywood production has a high impact. The high dependence of the holding on suppliers today is determined by the legal framework for the sale of plywood in the domestic market of Belarus. The general procedure for the sale of plywood raw materials provides for the implementation of the latter through the Belarusian Universal Commodity Exchange. Moreover, the Resolution of the Council of Ministers #567 dated 06.07.2015 establishes a priority right for enterprises who are a part of “Bellesbumprom” trust implementing the most important investment projects to buy plywood raw materials out of exchange trading under civil law contracts. Thus, today such enterprises as JSC “Borisovdrev”, JSC “Mostovdrev”, JSC “FanDOK”, JSC “Rechitsadrev” and JSC “Gomeldrev” received the prime right to purchase plywood blocks. At the same time, CJSC “Holding Pinskdev”, being the largest plywood producer in the country, is not included in this list and can buy at the exchange trading only the raw materials remaining after distribution.

Rivalry among existing competitors. The plywood and matches markets have most of the oligopoly characteristics: a high degree of production concentration in the hands of several firms; significant degree of market power; availability of technological and economic barriers to entry into the industry; and availability of standardized products. The furniture market has characteristics of monopolistic competition: many companies focused on the same group of consumers; and there are no restrictions on entry and exit from the market but there are product differentiation.

The bargaining power of buyers in all industries has a high impact. In the foreign market plywood, matches, and furniture is under strong influence of buyers. Consumers impose requirements on product quality and are ready to work with importers of products when a new product appears with price advantage. In recent years interest in kitchen furniture produced by the company has increased abroad.

Finally, a complex of measures has been proposed based on the analysis of CJSC “Holding Pinskdev” competitiveness. It allows to realize strategic decisions, increase market share in foreign trade activities, maintain its growth rates, and increase the competitiveness of enterprises. The activities are described below.

The creation and maintenance of its own forestry in order to reduce production costs since the largest share in the cost of production is the cost of raw materials (for individual enterprises of the holding up to 84%) [2, p.56]. This option of providing the holding with raw materials would also allow avoiding situations when the provision of a wood fund to the enterprises of the trust is delayed, sometimes for 2-3 months. Therefore, in order to maintain the previous production volumes, to ensure timeliness in the fulfillment of obligations for export deliveries, it is necessary to purchase wood at higher prices on the exchange, increasing costs and thereby reducing profitability [3, p. 324].

Improving the supply of luxury cabinet furniture made of solid wood to the markets of foreign countries and development of the production of furniture from plate materials in the implementation of deliveries to neighboring countries. Taking into account the specific weight of certain groups of goods in the overall structure of exports, as well as the trend of demand for woodworking products in the countries of near and far abroad, the holding’s management should take into account the following. Traditionally, the furniture market is divided into an elite segment and a segment designed for the mass consumer. Within the republic, the ratio between them is about 25:75. In European countries 80% of consumption is elite and 20% is mass furniture, in Russia there is an inverse ratio. In the future, these proportions will not change significantly.

Thus, the development of the production of furniture from plate materials should be counted upon by the enterprise when supplying to neighboring countries. Recently, the design has significantly improved. It has become diverse and aesthetic, other consumer properties have increased, including design and environmental-friendliness. At the same time, the democratic price is remained.

Today in Europe there is an active demand for headsets made of pine, birch, and alder. CJSC “Holding Pinskdev” should focus on the production and supply of luxury solid wood furniture in the planning and implementation of its activities in the market of foreign countries. Natural wood remains popular all the time.

Upholstered furniture accounts for the largest share in delivery to the external market. However, taking into account the fact that the upholstered furniture occupies about 30% of furnished apartment, and the rest falls on cabinet furniture, the company should reconsider the proportions of export supplies of furniture.

Particular importance has further creation of own wholesale warehouses of CJSC “Holding Pinskdev” in the market of near and far abroad countries that occupy the largest share in the general structure of export supplies: Russia, Kazakhstan, Uzbekistan, Poland, Germany, etc. There are five such holding structures in the market of Russia and Ukraine, and the costs in case of proper organization of the whole process can be easily compensated by a number of emerging advantages. The presence of a warehouse, besides reducing the influence of the main trading partners, will insure against fluctuations in demand, and will reduce transportation costs.

The proposed set of measures to improve competitiveness will become an effective tool in solving competitive tasks of CJSC “Holding Pinskdev”.

The list of the used sources:

1. The history of CJSC “Holding Pinskdev” [Electronic resource]. — 2019. — Access mode: <https://pinskdev.by/en/about>. — Access date: 07.02.2019.
2. Business plan of CJSC “Holding Pinskdev”. 2017. — 119 p.
3. Kopytovskikh, H. Increase of CJSC "Holding Pinskdev" competitiveness on the external market / H. Kopytovskikh // The modernization of the economic mechanism through the prism of economic, legal, social and engineering approaches — Minsk: BNTU, 2018 — p. 324