

THE IMPROVEMENT OF EXPORT ACTIVITIES
ORSHA FLAX MILL A CASE STUDY

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Orsha Flax Mill ("The Flax Mill") is one of the largest businesses in Belarus and has one of the broadest product ranges, which is constantly being improved with new ranges being developed. The business exports its goods all over the World and a major part of its revenues are received in foreign currencies from foreign customers in these countries.

The further analysis of economic activities of The Flax Mill which is the largest manufacturer of a linen yarn and fabrics not only in Belarus but also in the whole of Europe, has shown that the in 2007 the business was more efficient, than it had been in the past and has now started to make profits. Profitability from 2006 production increased by 6,78 % and that has been reflected in a profit growth of 36,59 %, this was followed in 2007 by an overall profitability increased from 6,3 % to 9,3 %.

During the past several years there were noticeable reduction in the company profitability and market environment in the Belarus flax and linen has been declining which has been reflected in the results of The Flax Mill. Namely: increased cost of production, goods and services (225,714 mil BYR as of 2006);

low profitability of manufacture and sales (2.6% and 2.4% respectively in 2007); export revenues in foreign currencies have considerably decreased during the past 5 years (USD 29,492,000 in 2007, which is USD 3,426,000 less, than that of 2005); there is a significant stock of unsold produce being held in warehouses, this has led to considerable additional costs for storage and warehousing and in addition the issue of obsolescence due to advancements in product development and fashion.

To resolve the existing problems and overcome the negative tendencies careful market research needs to be undertaken as well as the businesses strengths, weaknesses, opportunities and threats have to be assessed. As a result of this research, the strategic model, adapted to the new market conditions, should be generated. This should describe in detail the steps which have to be taken in order for The Flax Mill to succeed in the changing and challenging environment.

The Flax Mill Relationships and Marketing departments need to concentrate on finding the potential buyers, new markets and customers as well as improving relationships with the existing business partners.

The following four different types of markets have to be studied and assessed carefully: 1) Belarusian domestic market; 2) The CIS countries 3) Belarus's neighboring countries and 4) the global markets.

In addition, consideration needs to be taken into any existing quotas, tariffs, bans and restrictions on import, as well as any potential expected changes in the legislations of partner countries and potential markets.

As a result, the most profitable markets can be identified and a strategy can be developed as to how to and whether it is possible to increase the profitability of these target areas as well as the less advantageous markets. At that stage The Flax Mill management will have enough information to make decisions concerning which markets and customers it should concentrate on and which markets it should either withdraw from or focus less on.

The process of globalization and economic integration between the countries and blocks of nations (such as the European Union) means an increase in competition as well as the opportunity to get new customers. Therefore, in order to be able to compete effectively in these markets the products offered by the business need constantly to be improved and new innovations made in order to keep its existing customer base as well as attract new ones. To provide the constantly improving quality, the business needs to invest in new technology and the existing factory machinery has to be maintained in good order and constantly renewed and updated with the most efficient and modern alternatives available.

For such a major enterprise as Orsha Flax Mill it is a very expensive and lengthy exercise to carry out. This is problematic. As an example, the existing technical and technological level of factory machinery does not allow The Flax Mill to provide the effective processing of raw materials required. This is due to the current machinery being mostly old, causing low productivity. In addition, it is very expensive to run in terms of the maintenance and power usage and is not as environmentally friendly as it could be.

Investment by the business into the modernization of its plant equipment would not only help to make the factories more efficient and cost effective but also make it more modern and up to date in its manufacturing processes. It would also improve the quality and attractiveness of finished products which would enable it to target a greater diversity of new potential buyers. This along with the improved environmental aspects of up to date machinery would provide The Flax Mill with a competitive advantage it does not yet have.

In order to increase export effectiveness at The Flax Mill the following steps are needed:

- to make the production process more efficient in order to bring down the cost of the end products, increase the commercial attractiveness of the goods and create a competitive advantage;
- increase production volumes and, in turn, increase sales;
- look for new customers and market opportunities while at the same time strengthening the relationships with the existing customer base;
 - through continually striving to improve the standards at the factory, improve the quality of goods and services provided.

All of the above will allow the business to achieve substantial growth in sales volumes by the expansion of the domestic market and the further development of neighboring markets as well as the strengthening its activities in the existing and new global markets.