ПУБЛИКАЦИИ МОЛОДЫХ УЧЕНЫХ

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РАЗВИТИЕ МЕБЕЛЬНОЙ ОТРАСЛИ КАЛИНИНГРАДСКОЙ ОБЛАСТИ ПОСЛЕ ОТМЕНЫ ТАМОЖЕННЫХ ЛЬГОТ

ЛИ НАДЕЖДА ОЛЕГОВНА
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АННОТАЦИЯ

Федеральный закон об особой экономической зоне (ОЭЗ), принятый в 1996 г., стал стимулом социально-экономического развития Калининградской области. Закон предусматривал отмену таможенных платежей при ввозе импортного сырья и вывозе готовой продукции, произведенной из него, в другие регионы России при условии достаточной переработки. В 2006 г. был принят новый Федеральный закон об ОЭЗ. В отношении предприятий, осуществлявших свою деятельность в соответствии с таможенными преференциями, действует переходный период в течение 10 лет (2006–2016 гг.). За это время предприятия должны подготовиться к работе в условиях отмены таможенных льгот.

Стоит отметить, что режим таможенных льгот ОЭЗ поднял уровень конкурентоспособности предприятий региона, например, мебельные предприятия создали успешно развивающуюся отрасль.

В статье дан анализ развития мебельного производства Калининградской области. Представлены результаты исследования, направленные на изучение стратегии дальнейшего развития мебельных предприятий после окончания переходного периода закона об ОЭЗ.

Полученные результаты могут быть использованы при разработке мер поддержки предприятий после отмены таможенных льгот.

Ключевые слова: особая экономическая зона; Калининградская область; таможенные льготы; стратегия предприятий; мебельные предприятия.

THE DEVELOPMENT OF FURNITURE INDUSTRY OF KALININGRAD REGION AFTER THE REMOVAL OF CUSTOMS BENEFITS

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ABSTRACT

The Federal Law on the Special Economic Zone (SEZ) adopted in 1996 has become the impetus for social and economic development of the Kaliningrad region. The law provides the removal of customs duties on imported raw materials and manufactured end products exported in other regions of Russia under condition of sufficient processing of imported raw materials. A new Federal Law on the SEZ adopted in 2006 establishes the 10-year transitional period (2006 to 2016) for companies using the preferences set out in the previous law. During the transitional time, enterprises should re-arrange their activities in a manner to be able to work after the removal of customs benefits.

It should be noted that the regime of customs benefits within SEZ has significantly improved the competitiveness of regional enterprises, e.g. the furniture industry is successfully developing.
The article analyzes the development of furniture manufacturing in the Kaliningrad region. The research results given in the paper may be used to build up the strategy for further development of furniture enterprises after the completion of transition period stated by the SEZ law.
Also, the obtained results may be helpful while developing measures aimed at supporting enterprises after the removal of customs benefits.
Keywords: special economic zone; Kaliningrad region, customs benefits; strategies of enterprises; furniture enterprises.

The Kaliningrad region is the westernmost region of the Russian Federation with special conditions of doing business.

According to the Federal Law of July 22, 2005 № 116-FZ "About special economic zones in the Russian Federation", a special economic zone is a part of the territory of the Russian Federation, which is determined by the Government of the Russian Federation, where a special condition of doing business is created, and the procedure of customs-free zone can also be used.

The basic idea of the SEZ regime is to create favorable conditions for the development of economic and scientific potential of the country, attracting investors in its economy [1, p. 45].

The federal law on the Special Economic Zone (SEZ) in the Kaliningrad Region stimulated socioeconomic development of the Kaliningrad region since 1996. The act provided abolition of customs duties and VAT on imported raw materials and export to other regions of Russia of finished products manufactured from it, with the condition of sufficient processing.

Creation of a special economic zone had two main objectives:

1. Compensation of exclave position of the Kaliningrad region.

2. Creating conditions for sustainable and dynamic development of the region.

Eventually there was identified the main drawback of the SEZ act. Regional companies were increasingly engaged in the resale of imports.

In 2006 the federal law № 16-FZ "On the Special Economic Zone in the Kaliningrad Region and on Amendment of some Legislative Acts of the Russian Federation" came into force to increase the share of added value of goods produced in the region and to ensure a favourable investment climate in the region.

The law established a transitional period of 10 years for businesses that used the preferences of the previous law. During this time, the companies must be prepared for abolition of customs privileges. The transitional period is set till April 1, 2016.

Elimination of customs preferences may have negative consequences for businesses and the economy of the Kaliningrad region as a whole. It will result in decrease of the competitiveness of enterprises, increase of unemployment, decrease of the corresponding tax revenues. According to the Minister of Economic Development of the Russian Federation A. Ulyukaev the share in GRP of these enterprises is about 22%, their average number of employees is about 50 thousand persons or 24% of the average number of employees of the Kaliningrad region in 2013. Taking into account the indirect effects, it is 170 thousand employees and up to 65% of GRP[1].

Further we will consider the impact of the abolition of customs privileges on the development of the furniture industry of the Kaliningrad region. There was a study conducted among the furniture manufacturers in the region.

A sector of economy is a set of organizations, enterprises, institutions, producing similar goods and services, using the same type of technologies and satisfying similar by nature needs [2, p. 252].

Furniture market is a market of durable goods. And most of the global trends in the world economy are related to the markets of durable goods. [3, p.66]

According to E. Golubkov durable goods are material goods purchased by consumers for personal use, which do not quickly wear out, or

[1] Dmitriy Medvedev's visit to the Kaliningrad region/ URL: http://government.ru/news/12360 (up to date: 19.09.2014).

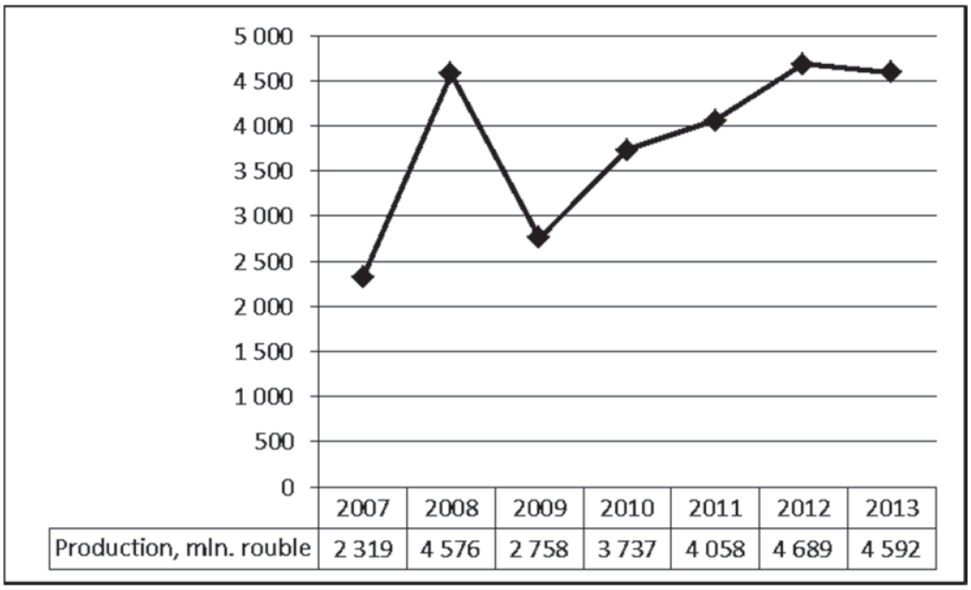

Fig. 1. **Sales of own-produced goods by furniture enterprises (mln RUR)**

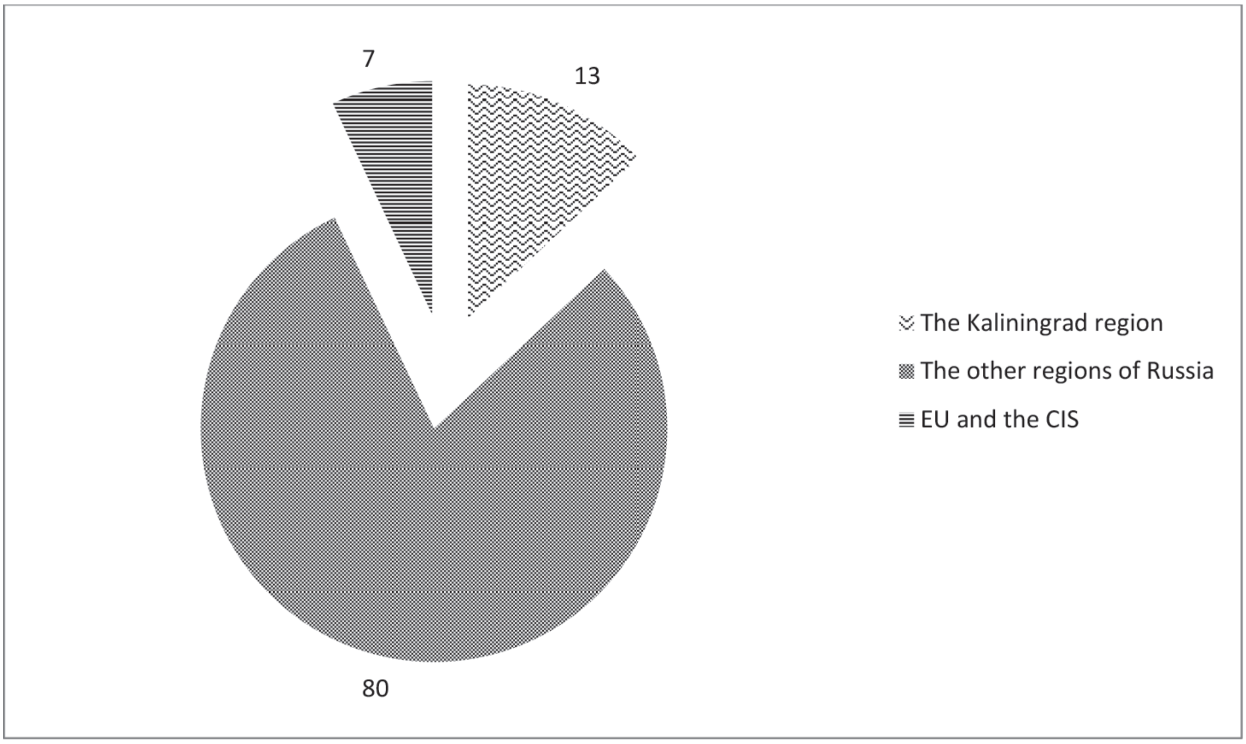

Fig. 2. **The structure of furniture markets, %**

more specifically, those that yield utility over several years rather than being completely consumed in one use [4, p.20].

The purpose of research is to define the plans of companies’ management for the business development after the abolition of customs privileges and Russia’s WTO accession.

The objects of study — furniture industry enterprises of the Kaliningrad region, using the benefits of SEZ and exporting finished products to other regions of the Russia and abroad.

The study sample is 17 companies which sale furniture mainly to other regions of Russia and abroad. *The share of studied enterprises is about 33% of total employment in the furniture industry, their total revenues, according to management, exceed the official industry revenue several times.*

Table 1

Changes in the rates of customs duties

№	Name of goods	Binding duty, %		Transitional period
		from	to	
1	Particle board	15	8	till 2017
2	Fiberboard	15	8	till 2017
3	Chipboard and MDF	15	5	till 2016
4	Fasteners and furniture fittings made of plastic	20	6,5	till 2016
5	Furniture fittings made of metal	15	7,5	till 2016
6	Sectional wooden kitchen furniture	20%, min. 0,8 EUR/kg	12,5%, min. 0,23 EUR/kg	till 2018
7	Wooden furniture for bedrooms	20%, min. 0,75 EUR/kg	12,5%, min. 0,23 EUR/kg	till 2018
8	Upholstered furniture	20%	12,5%	till 2018
9	Cabinet furniture	42%, min. 0,75 EUR/kg	12%, min. 0,23 EUR/kg	till 2018

The study period is March — April 2014.

The subject of study is the strategy of enterprises after the abolition of customs privileges under the law on SEZ:

1) Business strategy;

2) Functional strategy:

2.1) Financial strategy;

2.2) Marketing strategy;

2.3) Production strategy;

2.4) Procurement strategy;

2.5) HR management strategy.

An overview of furniture production in the Kaliningrad region

The furniture industry received an opportunity to develop through customs benefits in 1996.

According to official statistics the amount of furniture manufactured by large and medium-sized enterprises in the Kaliningrad region for 5 years (2008–2012) has increased by 8.5 times. The volume of sales of own-produced goods by furniture enterprises for 2007–2013 is shown in Fig. 1[2].

The share of furniture production of the Kaliningrad region in total sales of furniture in Russia was 4.8% in 2013.

In 2013 the volume of production of furniture was 4,592 million rubles.

The furniture industry was 1.7% in GRP in 2012.

About 80% of Kaliningrad furniture products is supplied to the market of other Russian regions, 13% to the regional market, 7% to the CIS and the Middle East (see Fig. 2)[3].

According to the Association of Furniture Manufacturers in Kaliningrad, there are about 200 companies producing furniture. The number of employees is more than 10 000 people. *Lazurit*, *Interdesign*, *Mann-grupp*, *Dallas*, *Dedal*, *Majster-mebel* and *Maxik* are among the largest furniture companies in the region.

Kaliningrad manufacturers mainly use imported raw materials from Poland, Lithuania, Germany, Italy and China.

At present the further development of the furniture industry in the Kaliningrad region depends on:

1) the growth of cost of furniture after the abolition of customs privileges, which served as the stimulus for the development of the industry. In conjunction with the logistics costs it will

[2] Basic economic indicators of the manufacturing industries, companies and organizations in mining, manufacturing, and distribution of electricity, gas and water in January-December 2007–2013. Kaliningrad: Kaliningradstat, 2008–2014 г.

[3] Kaliningrad furniture company “Interdesign” — the winner of the national award “Russian Cabriole”. URL: https://gov39.ru/news/101/69244/?sphrase_id=60529 (up to date: 19.09.2014).

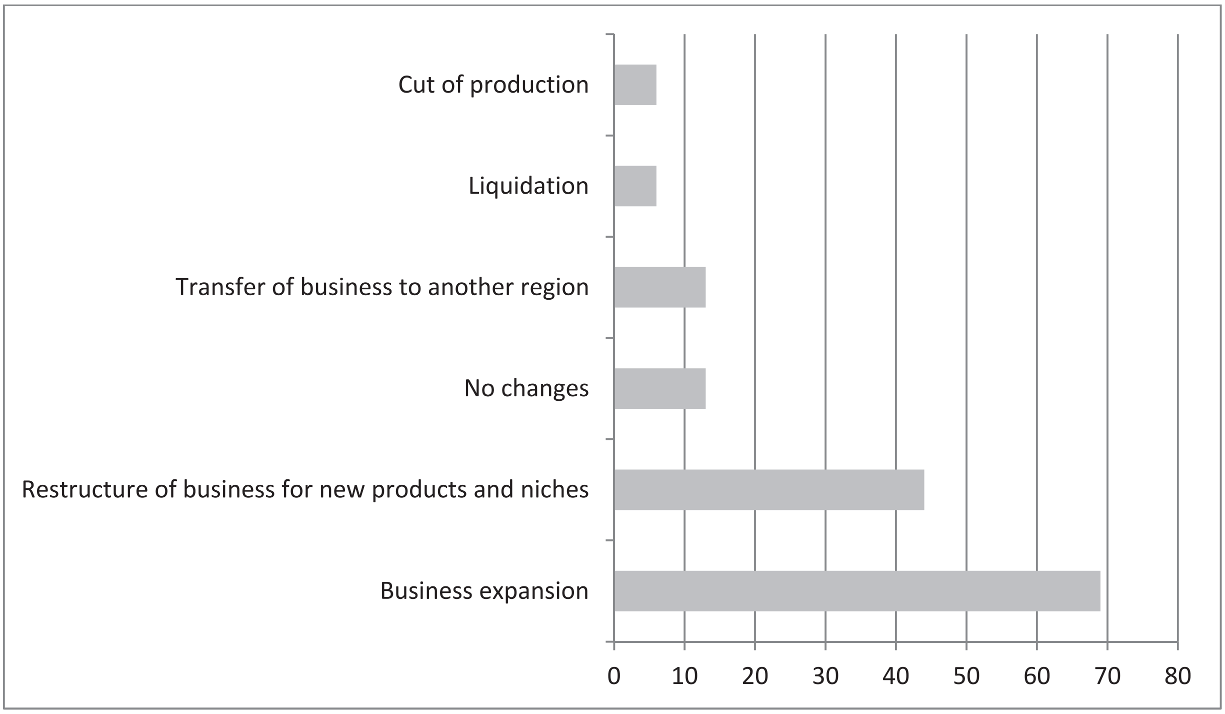

Fig. 3. **Business strategy, %**

make the companies of the Kaliningrad region uncompetitive to enterprises in other regions of Russia;

2) the growth of competition in the furniture market because of increased imports of furniture in Russia due to lower import duties in accordance with the WTO requirements.

The main components in furniture production are board materials and accessories. It should be noted that the final import duty will fall by 2–3 times in accordance with the terms of the WTO. The customs duties on finished furniture will also be lowered.

This means that for furniture enterprises of the Kaliningrad region the duty on chipboard and plastic fittings will increase from 0% (privileges) to 8% and 6.5% respectively. At the same time the duty for competitors in other regions of Russia duty will be reduced from 15% and 20% (nowadays) to 8% and 6.5% on the same materials (Table 1) [5, p. 30][4].

There will be increase of competition on Russian market for Kaliningrad producers. The cost of finished product will rise for them, whereas for other Russian manufacturers of furniture it will go down. Also there is expected increase in imports of furniture from abroad.

In the new conditions of management mentioned above the heads of the furniture enterprises see their development strategy as follows.

BUSINESS STRATEGY

Business strategy defines a common business scenario.

In the obtained results of the study the sum of the points exceeds 100% because respondents could choose more than one option at a time.

The majority of respondents have begun preparations for the new economic conditions (Fig. 3). The heads of companies are planning the future of their business as the following:

- 69% of companies intend to expand the business (to increase production);
- 44% of businesses plan to restructure the business for new products and niches;
- 13% of companies are going to operate in the same way as nowadays;
- 13% of businesses intend to transfer the business to another region;
- 6% of companies are going to cut production;
- 6% of businesses intend to liquidate the production.

[4] Level of binding import duties on Russia's accession to the WTO on the main commodity items produced by enterprises of the Republic of Karelia. URL: http://gov.karelia.ru/gov/Power/Ministry/Development/041011.html (up to date: 19.09.2014).

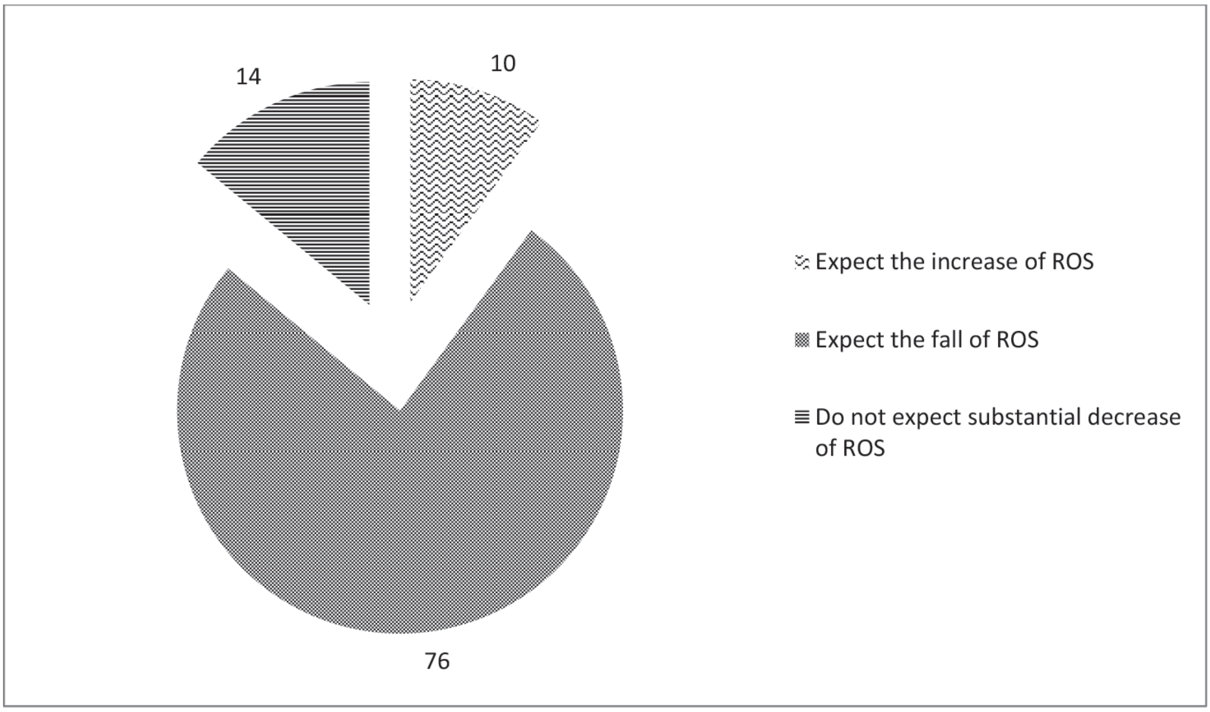

Fig. 4. **Profitability (ROS) expectations in 2016, %**

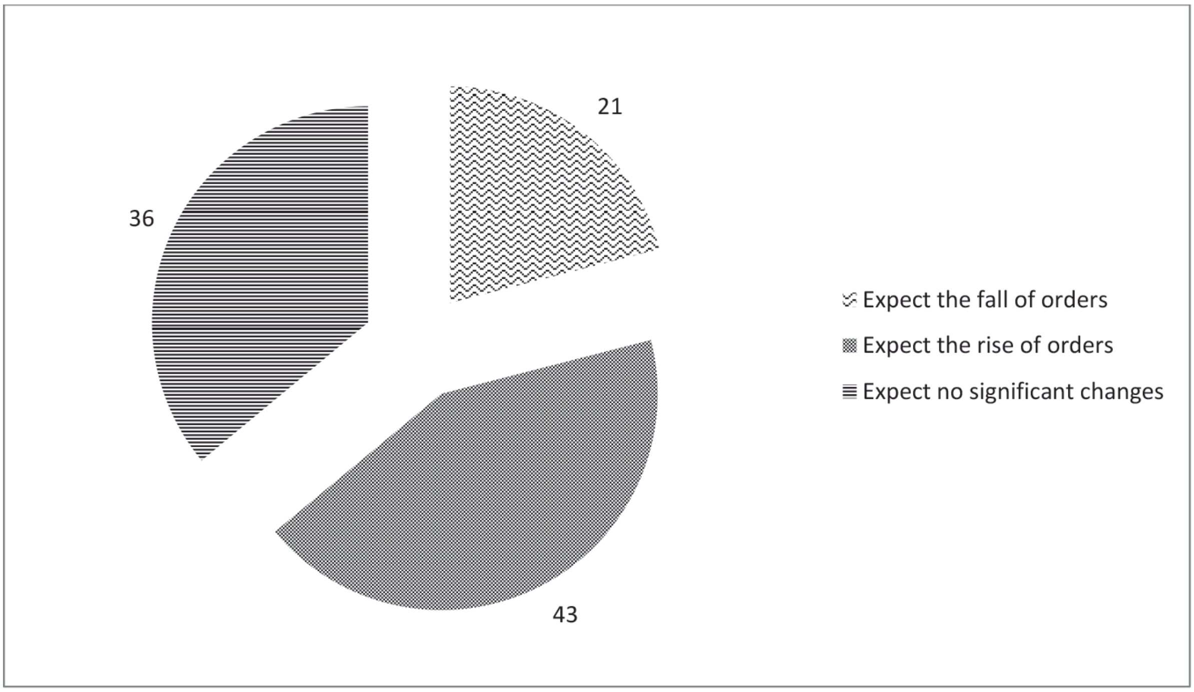

Fig. 5. **Expectations for volume of orders, %**

In general, business leaders have positive plans for the future. Only 12% of respondents plan to cut or liquidate the production.

FUNCTIONAL STRATEGY
FINANCIAL STRATEGY

Return on sales expectations

Return on sales (ROS) is an important indicator of the efficiency of the company which shows its profitability. 76% of respondents expect the fall of profitability in 2016 in comparison with current levels. At the same time 14% of businesses do not expect substantial decrease of profitability, and 10% expect increase of ROS (Fig. 4).

The main cause of profitability drop is increase of cost of production.

Expectations for volume of orders of products

43% of respondents expect the rise of volume of

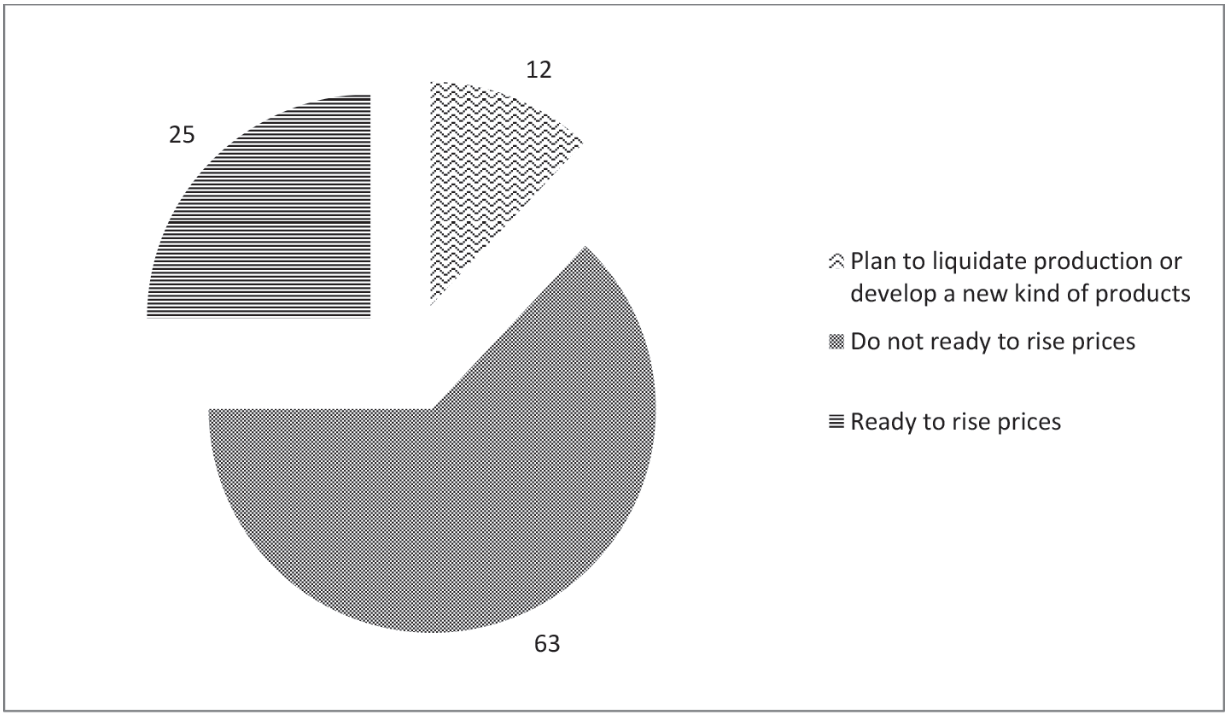

Fig. 6. **Planning prices in 2016, %**

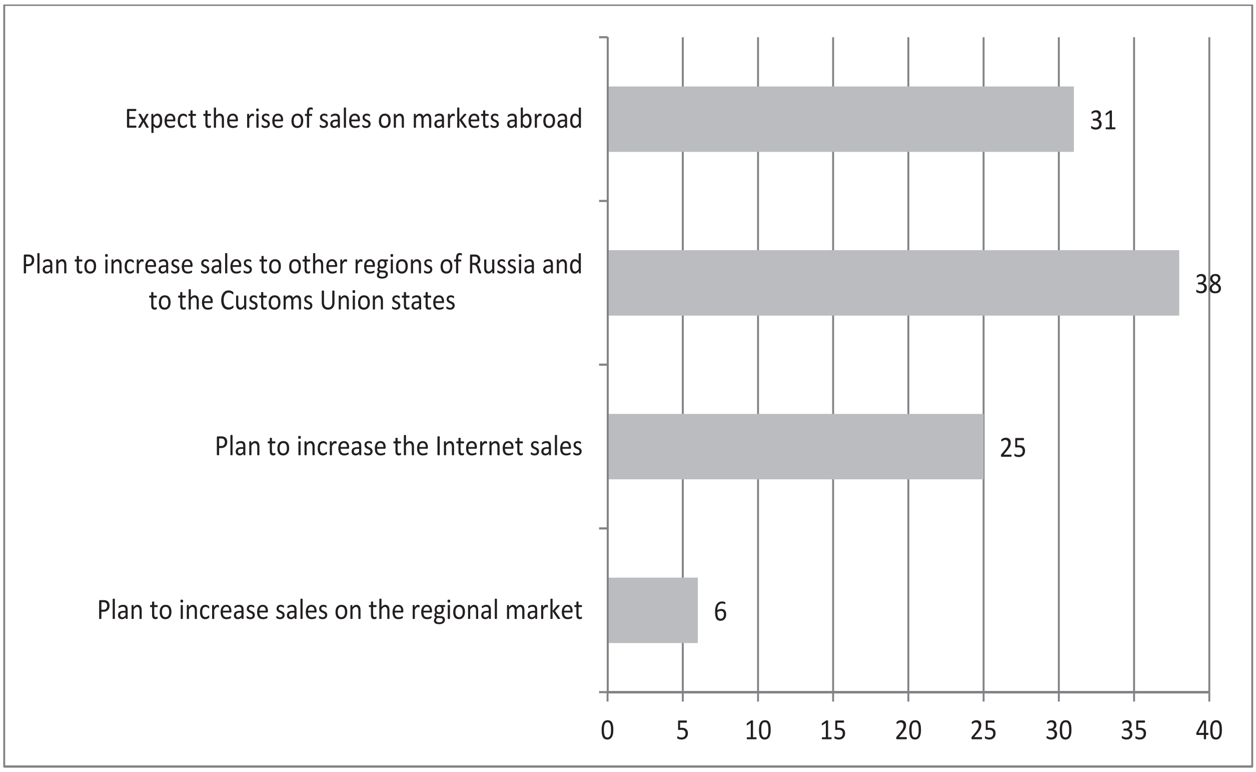

Fig. 7. **Planning of sales channels, %**

orders for their products in 2016, 21% expect the fall of volume of orders and 36% of businesses expect no significant changes in volume of orders (Fig. 5).

Increase of orders is possible due to active marketing policy and implementation of forecast of growing furniture consumption by households.

In this case Kaliningrad producers should take into account growing competition from imported furniture and rising competitiveness of other Russian producers due to decrease of customs duties on raw materials for them.

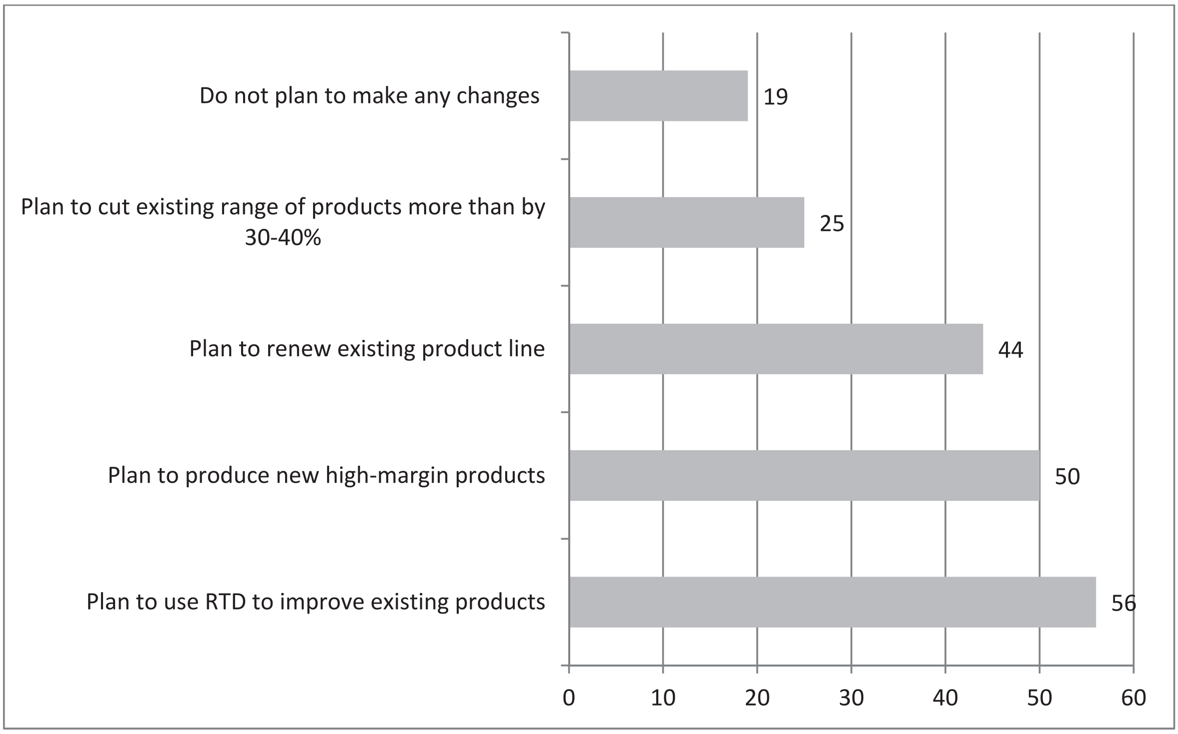

Fig. 8. **Planning of assortment, %**

Planning prices of products

63% of respondents are not ready to rise prices while 25% are ready for such a step. The rest 12% of businesses plan to liquidate production or develop a new kind of products in 2016 (Fig. 6).

Thus, there is the following situation: furniture companies are planning to increase their sales maintaining the sales prices at the current level and increasing the cost of production. The fall of profitability is inevitable in such circumstances.

MARKETING STRATEGY

Planning of sales channels

There is the growth of popularity of the Internet sales nowadays. Many Russian companies enter the Crimean market. Kaliningrad furniture companies have just begun to use these channels (Fig. 7). For example Interdesign opened two furniture stores and a warehouse in Simferopol in summer 2014.

The results of survey are the following:

- 38% of businesses plan to increase sales to other regions of Russia and to the Customs Union states;
- 31% of companies expect the rise of sales on markets abroad;
- 25% of businesses plan to increase the Internet sales;
- 6% of companies plan to increase sales on the regional market.

In the obtained results of the study the sum of the points exceeds 100% because respondents could choose more than one option at a time.

Planning of assortment

World leading furniture producers stimulate sales by active promotion and bringing new products to market.

The use of modern technology alongside with production of new high-margin products is one of the methods to be in demand in the market.

The results of survey of assortment policy are on figure 8:

- 56% of businesses plan to use research and technical development (RTD) to improve existing products;
- 50% of companies plan to produce new high-margin products;
- 44% of businesses plan to renew existing product line;
- 25% of companies plan to cut existing range of products more than by 30–40%;
- 19% of businesses do not plan to make any changes in assortment policy.

In the obtained results of the study the sum of the points exceeds 100% because respondents could choose more than one option at a time.

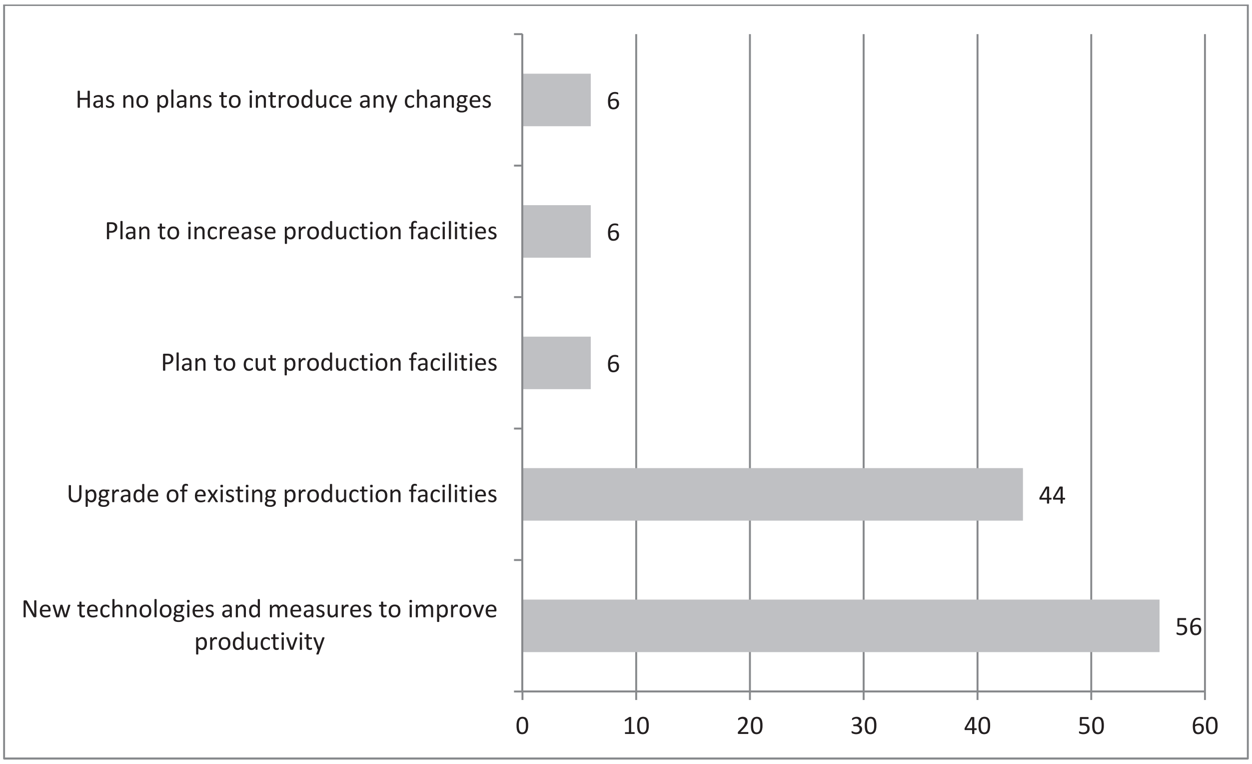

Fig. 9. **Production strategy, %**

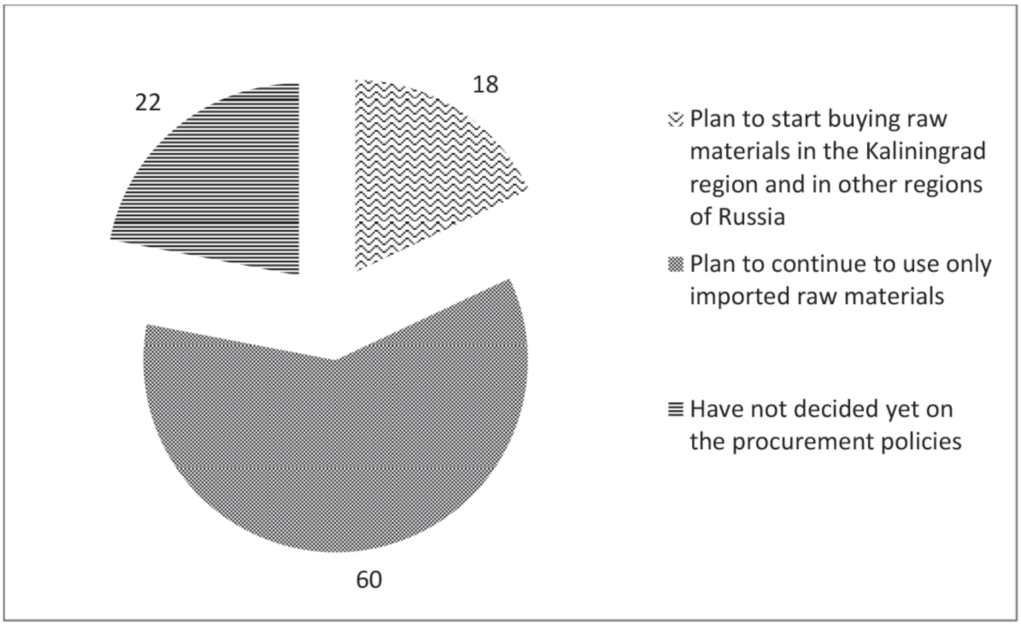

Fig. 10. **Procurement strategy, %**

PRODUCTION STRATEGY

There is an active use of new design and technical solutions on the modern furniture market. This requires the use of modern equipment. Enterprises should pay attention to their technical base to produce modern and high quality furniture.

The results of survey of assortment policy are on figure 9:

- 56% of companies have begun to introduce new technologies and measures to improve productivity;
- 44% of businesses upgrade existing production facilities;

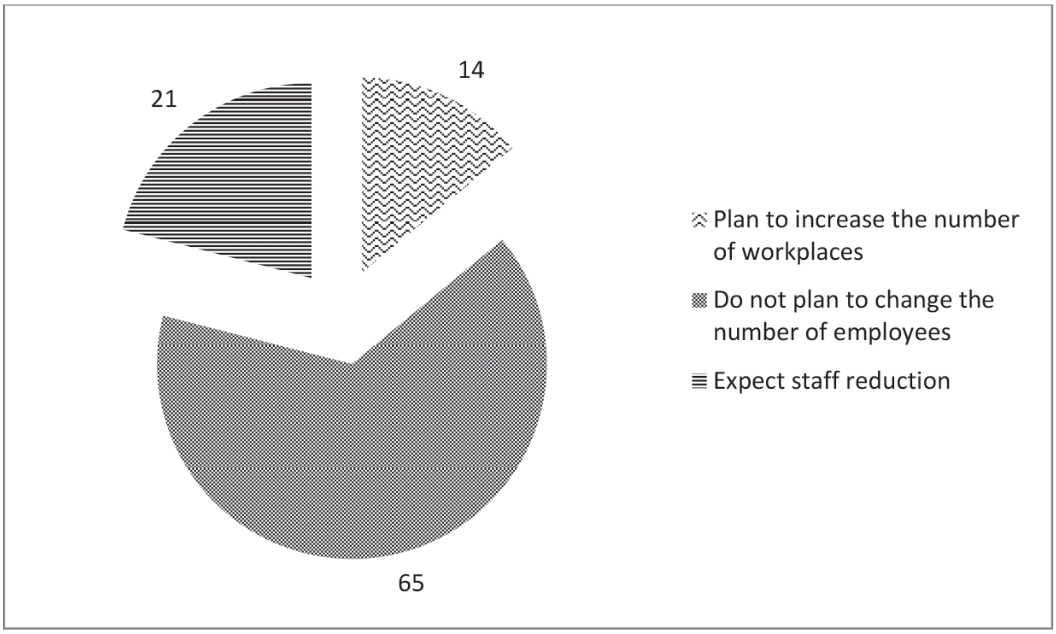

Fig. 11. **Planning staff numbers, %**

- 6% of companies plan to cut production facilities;
- 6% of companies plan to increase production facilities;
- 6% of businesses has no plans to introduce any changes in the production.

In the obtained results of the study the sum of the points exceeds 100% because respondents could choose more than one option at a time.

The production strategy of most companies allows to raise efficiency of production and reduce production costs.

PROCUREMENT STRATEGY

Most companies (60%) plan to continue to use only imported raw materials for their production in 2016. Only 18% of businesses plan to start buying raw materials in the Kaliningrad region and in other regions of Russia, and 22% have not decided yet on the procurement policies in 2016 (Fig. 10).

The furniture production companies of the Kaliningrad region can switch to Russian raw materials only partly. They can use only such materials as particle boards and MDF. However, Russian producers of these materials cannot cope with the rising volume of orders what is already happening at the moment. In order to cope with the new volume of orders, they will have to expand its capacities.

The study of the domestic market of fittings revealed that it is difficult to switch to Russian manufacturers at this moment as they produce too few analogs of the fittings purchased by furniture producers in the EU nowadays.

As for equipment, there are no machine tools that meet the requirements of the modern furniture production build in Russia nowadays. The main manufacturers of machine tools for the furniture industry are Germany and Italy, which produce 80–85% of this machinery in the world.

HR MANAGEMENT STRATEGY

The general trend for all companies is the lack of highly skilled workers (operators of automated machines). Their training is carried out mainly in Kaliningrad.

65% of managers do not plan to change the number of employees in 2016, 14% plan to increase the number of workplaces and 21% expect staff reduction (Fig. 11).

Based on the results of the research we can conclude that due to the customs preferences of the SEZ enterprises of furniture industry received incentive for development, increasing their share on Russian and foreign markets. Abolition of preferences and Russia's accession to the WTO may have a negative impact on the state of the industry in the Kaliningrad region.

There is no doubt, we can expect the increase of competition for Kaliningrad furniture manufacturers in Russian market both from domestic and foreign producers of furniture. However, most enterprises in the industry have begun preparations for 2016, they upgrade production and renew the assortment.

We should mention that the imposition of sanctions against some Russian companies and sectors of the economy in 2014 was one of the reasons for the increase of foreign exchange rates against Russian rouble, raising rates of consumer loans and mortgages while maintaining the income of the general population at the same level. These factors are the cause of the reduction of the purchasing power, the drop of sales that leads to the decline in the production of furniture.

Only the companies that have structure of sales in the Russian market including the share of B2C can be classified as companies ready for 2016 with a high probability. The main strategy for these companies is a transition (or consolidation) in the premium segment.

For the companies of the Kaliningrad region that stick to their strategy of leadership in costs, taking in account that they will have the same costs as furniture companies in other regions of Russia, there may be two scenarios:

1) to increase retail prices in order to maintain profitability. However, the Kaliningrad furniture producers do not offer unique goods. The end user will prefer furniture in the lower price segment of the same quality;

2) to keep the prices at the same level as competitors from other regions of Russia, reducing the profitability in order to save business.

In the first scenario the companies are likely to lose in price competition and will have to leave the market.

In the second scenario the companies will have some time to hold the market share and develop some unique offers of goods. But this is the way of considerable technical and intellectual innovations.

The author believes that companies should also cooperate their efforts aimed at establishing and strengthening the brand of furniture produced in the Kaliningrad region.

For example, companies can jointly participate in large tenders for the supply of furniture and in exhibitions. The active position of Kaliningrad producers and their cooperation will help to keep the market share.

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