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**A DEVELOPMENT STRATEGY FOR A FURNITURE  
COMPANY DURING THE CRISIS PERIOD**

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## Abstract

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<p>Furniture manufacturing has been existing for many years by now, and it still exists. However, since there was a crisis situation in the late 2014, many businesses have faced different kinds of problems, mostly the economic and financial ones, so they have to regain the previous positions, and come back to the profitable state of affairs.</p> <p>This thesis is related to an existing company 'Transform-Mebel Ltd', located in Saint Petersburg, Russia. As the company is not a large corporation, the crisis affected it rather significantly. The company is not going to announce its bankruptcy, but it is not possible to say that everything is running well inside it.</p> <p>This thesis work presents some possible ways of overcoming the difficulties. It gives superficial ideas about the strategies that might be implemented in order to recover the company's wellbeing, and create a solid groundwork for the future growth and development.</p> <p>All the information written in this thesis is based on the personal work experience in the company and on the interviews with the CEO and other influential representatives of the company.</p>		
<b>Key words</b> Troubleshooting, development, strategy, crisis period.		

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## 1 INTRODUCTION OF THE COMPANY

The company chosen for this project is the 'Transform-Mebel Ltd' furniture company. It is located in the south part of Saint Petersburg. The business branch of the company is the transforming furniture production. That is how the company got this name 'Transform-Mebel: Mebel is the Russian word, which means 'furniture'. This kind of furniture has a very significant advantage – since it is transforming, it takes less space when stored. Mostly those products are being ordered for the wedding shows, cafeterias, restaurants etc. That is because metal-based furniture does not really look appropriate for the house designing, but when it comes to the durability and the reliability – that is a very good choice. The directors and managers of the company understand it perfectly, so the company is mainly focused exactly on production of the banquet equipment.

The 'Transform-Mebel Ltd.' management structure involves six people. Among them, there is the main owner of the company, the supply manager, the designer, personnel manager and two bookkeepers. The total number of people working on the production line is a little bigger, and there are more than 20 workers: about 10-12 in both metal- and wood-processing crews.

The company has been on the market for already more than 10 years. From the very beginning, it has been dealing only with furniture, particularly with 1-2 types of chairs and 1-2 types of tables. As the company was growing and progressing, the range of products was growing as well and now it includes about 10 different types of transforming and non-transforming tables and as well about 10 types of chairs, which are also available in transforming and non-transforming models. In addition, new types and models of both tables and chairs are being developed and created. The assortment of the company includes not only tables and chairs, but special carts and trolleys for easy transporting of different tables and chairs. In the year 2014 the profit of the company was about 214000 euros which is approximately 3-4% higher than in the previous year, despite of the worse situation during the last three months of the year. (Glazkov, 2015.)

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As for the market situation of the company, it operates mostly in the local scale, but it has its regular customers along almost all the Russian territory. These are the regular ones, with whom the company 'Transform-Mebel Ltd.' has already been doing business for several years; they usually make very large orders: it can easily be 2`000 of tables at once, example.

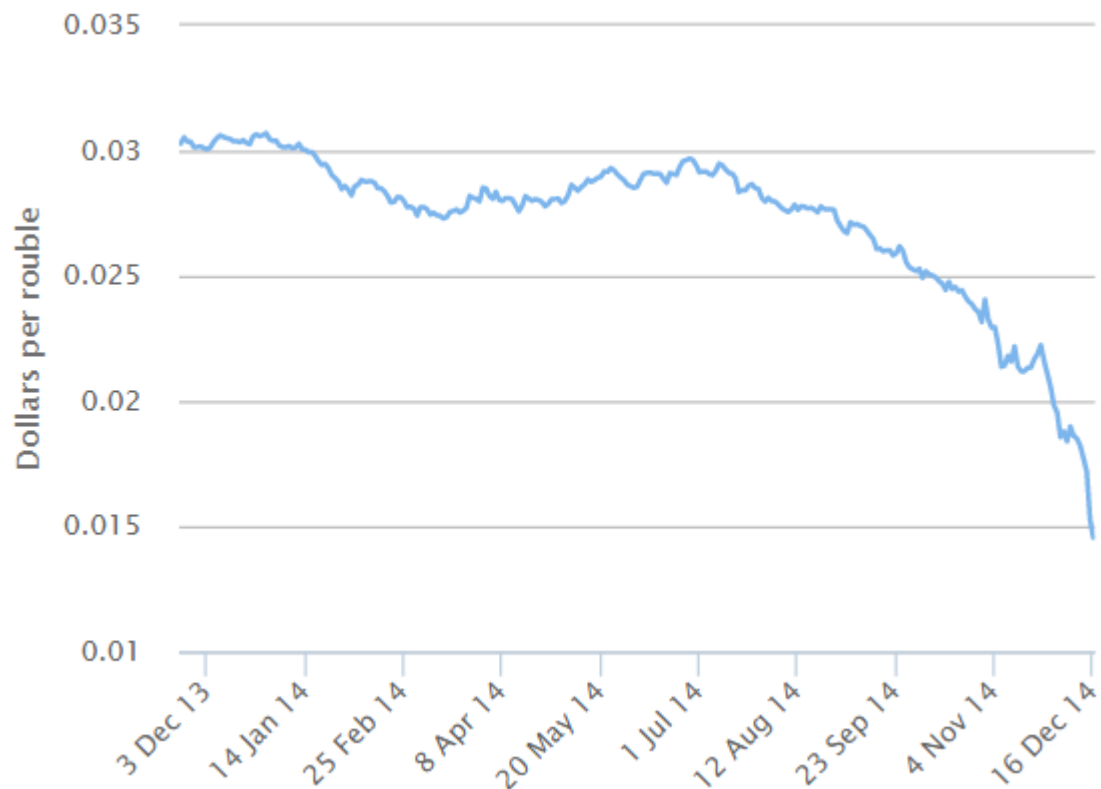
Considering the market environment, there is not much competition for 'Transform-Mebel Ltd' because there are not so many companies dealing with this particular kind of furniture in the given region. Moreover, the new ones appear very rarely, as a few large and medium size companies already occupy this niche. So, having being on the market for quite a long period, 'Transform-Mebel Ltd' has secured its positions well enough, even though it is not a large corporation. The main emphasis of the company's vision and strategy is made on the quality of the producing furniture and the customers' feedback in order to see the possible weaknesses and to improve the products' level in general.

The following chapters will discuss the financial crisis of the late 2014 as it is the main problem for many businesses, including the case-company 'Transform-Mebel Ltd.', and by which ways the difficulties can be overcome. In practice, not everything always goes perfectly, so in order to prevent bad consequences of applying the recovering measures, there is also information about the risk analysis. The final chapter represents conclusions concerning the suggested strategies and possible risks, and it gives a little forecast for the company's state of affairs in the nearest future.

## **2 PROBLEM TO CONSIDER**

Crisis is defined as a situation when the demand for money outpaces the supply of money. This means that liquidity evaporates quickly because of the fact that available money is withdrawn from banks, forcing banks either to sell other investments to make up for the shortfall or to collapse. (Online Business Dictionary 2015.)

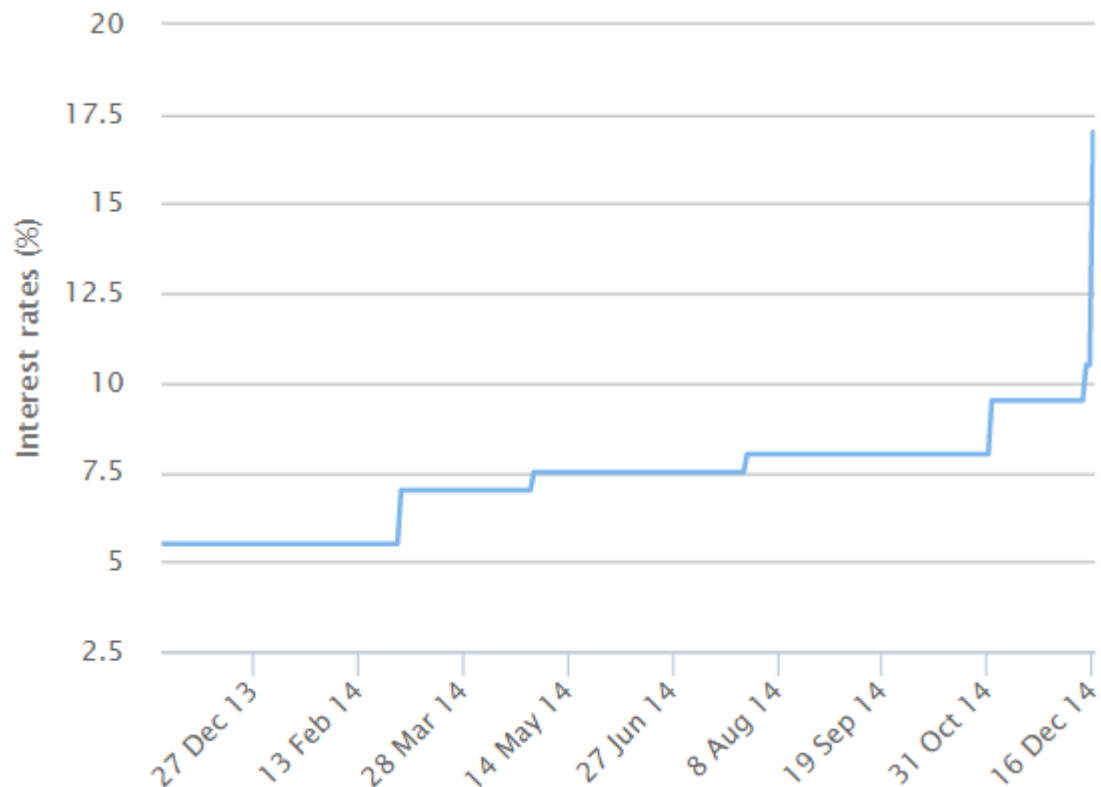
The year of 2014 brought a new crisis to the Russian and the European economics. The most significant changes in the Russian economy are reflected in the banking and financial indicators. Thus, the Russian Ruble went down rapidly and lost its value against the US Dollar and Euro almost by half. (Bank of Russia 2015.) Graph 1 indicates the difference of the exchange rate between the Russian Ruble and the US Dollar within the year 2014.



GRAPH 1. Change of the exchange rate between the Ruble and the US Dollar within the year 2014. (The Telegraph 2015.)

Of course, as the Russian national currency started falling down comparing to Euro and the US Dollar, the prices for common goods including even food went up by 10-20 percent, dependently on a region. This is partly due to a food import ban Russia imposed in retaliation for Western sanctions. Many markets started suffering low demands. (Vox Media 2015.) For example, the car sales in Russia in 2014 decreased by 12 percent from the year 2013, and the main reasons for it were the growth of the prices and the national currency devaluation. In addition, the economic crisis complicates the Customs Union's work and worsens the position of the Russian Ruble with trading partners, so it plays significant role in the Russian economy.

Banks set the interest rates at a high level, almost three times greater than at the beginning of the year 2014. The graph below indicates the growth of the interest rates in Russia before and during the crisis period.



GRAPH 2. Change of the interest rate in 2014. (The Telegraph 2015.)

Experts claim that the devaluation of the Ruble can be explained by the fall in oil prices, and if one estimates the decrease at the national currencies of other countries whose economies are dependent on oil prices, this theory may be confirmed. The national currency of the Russian Federation is equilibrium. It means that the currency is directly dependent on the situation on the world oil market. If one takes into account the fact that hydrocarbon prices continue to decline gradually, the improvements at testimony to the rate of the Russian Ruble will not change rapidly. The decline of the Ruble has to do with a fact that the market doubts about the government's measures to improve the investment environment and supporting economic growth. (NEWSru 2015.)



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## 2.1 Analysis of the Marketing Environment

In order to have a clear picture of the market situation and in order to know which strategies to develop, the marketing environment can be analyzed. The results of such an analysis can provide detailed data about the current situation on the market, which will be used for planning the strategies for recovering the company. Generally, a company's marketing environment consists of the actors and forces outside marketing that affect marketing management's ability to build and maintain successful relationships with target customers. The marketing environment offers both opportunities and threats. (Kotler and Armstrong 2004, 100.)

The marketing environment is made up of a microenvironment and a macroenvironment. The microenvironment consists of the actors close to the company that affect its ability to serve its customers – the company, suppliers, marketing intermediaries, custom markets, competitors, and publics. The macroenvironment consists of the larger social forces that affect the microenvironment – demographic, economic, natural, technological, political, and cultural forces. (Kotler and Armstrong 2004, 100.)

The company 'Transform-Mebel Ltd.' has always been aiming to provide the best quality of its goods, and make them as comfortable as possible. In terms of the way of running a business, there is no need for any significant changes, only the positioning can be improved. The company currently works with suppliers mainly from Saint Petersburg but it can be changed if new markets are available. For example, if 'Transform-Mebel Ltd.' opens a subsidiary in Vladivostok, there might be a need for a new supplier in that region as well in order to minimize the transportation costs. The company works directly with the retailing suppliers, and then sells its products directly to the customers. Since the retailers are intermediaries in this supply chain, they can be eliminated and replaced by the wholesalers. (see Chapter 3.1.) In addition, entering of new markets can be

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considered. (see Chapter 3.3.) Considering the customers and publics, the company does not work with private customers, so the market is relatively narrow: restaurants, cafeterias, etc. Obviously, 'Transform-Mebel Ltd.' is not the only company in the banquet furniture branch of business but the competitors are rather weak and they do not interfere much, since 'Transform-Mebel Ltd' has the greatest part of the customers in its region. (Glazkov, 2015.)

Considering the macroenvironment on the market, it is clearly visible that most of the business suffer from the current political and economical situation. The Russian currency is low, and markets do suffer lower demands. (Vox Media 2015.) The demographic, natural, and cultural issues will only touch the company if it enters new markets, especially the foreign ones.

Chapter 3 provides detailed information concerning the strategies to recover and improve the company's situation on the market. The suggested strategies are based on the conclusions retrieved from the analysis of the current situation on the furniture market, and the company's state of affairs.

### **3 SUGGESTED IDEAS HOW TO OVERCOME THE PROBLEMS**

Generally, the crisis has affected and actually is still affecting heavily most of the non-governmental businesses. The furniture factory 'Transform-Mebel Ltd' was not an exception. The main financial indicators started to fall quite significantly in the second half of 2014. The two main reasons for that are the falling of the Russian Ruble, and the lower demand for many manufacturing goods, which is actually a result from the first problem. (CNNMoney – Business, financial and personal finance news 2015.)

However, the company still exists and it has to regain a good profitable level and market positions, so some significant changes in the organizational and marketing structure need to be developed and implemented.

Obviously, those changes should be planned carefully. According to Kotler, strategic planning sets the stage for the rest of the planning in the firm. Companies usually prepare annual plans, long-range plans, and strategic plans. The annual and long-range plans deal with the company's current businesses and how to keep them going. In contrast, the strategic plan involves adapting the firm to take advantage of opportunities in its constantly changing environment. (Kotler and Armstrong 2004, 40.)

To succeed, managers must make decisions on what your company will be doing not next month or next year but in 5 years or 10 years. In other words, instead of turning the wheel to meet each fresh wave, a company must point itself in the right direction. (Ries and Trout 2001, 204-205.)

Positioning plays a very important role in a company's wellbeing. Traditionally managers have tracked position by asking two simple questions: 'How good is performance today?', and 'How does this compare with the performance yesterday?' Hence the frequency with which the current year's performance is compared with the previous year's. A more sophisticated approach would also involve comparing this year's performance with a budget or target. (Neely 1998, 76.)

However, these questions are too narrow. To really track position it is necessary to seek answers to nine different questions, which cover the position over time, which is yesterday, today or tomorrow and the position from the internal, competitor or customer perspectives, see Table 1 below:

TABLE 1. Critical questions when tracking position (adapted from Neely 1998, 76.)

		TIME HORIZON		
		Yesterday	Today	Tomorrow
<b>PERSPECTIVES ON PERFORMANCE</b>	<b>Competitor</b>	How well were our competitors performing?	How well are our competitors currently performing?	If our competitors continue to improve at the rate they are what will their level of performance be?
	<b>Customer</b>	How well did our customers want us to perform?	How well do our customers want us to perform?	If our customers continue to increase at the rate they are what level of performance will they expect?
	<b>Company</b>	How well were we performing?	How well are we performing?	If we continue to improve at the rate we are what will our level of performance be?

In Table 1, one can see which questions are the most important for setting the proper positioning. Every perspective has to be taken into consideration in order to know best what performance the company had, has and will have from different points of view. Having answered the questions listed in the table, the company's managers will be able to set the priorities for the strategies to be implemented, and change them, if necessary.

The strategies have to be smooth. They should not change the company topsy-turvy but make some changes inside of it. Among all the possible steps to recover the company's state of affairs, there might be a reduction of costs and expenses. Production costs include material costs such as direct material costs for raw materials, supplementary material costs for paints, solders, etc., indirect material

costs for consumable articles, such as tools, grinding wheels, cutting fluids, oils, electricity, wastes, etc., direct labour costs, direct and indirect overheads. (Hitomi 1996, 322.)

However, in the case of 'Transform-Mebel Ltd.' it is barely possible to lay off any worker either from the production line or from the managerial office. The company is relatively small (see Chapter 1), so every worker there is an irreplaceable chain link. Thus, since the human resources cannot be reduced, there is a need for ideas of changing the way the company runs the business. The following subchapters discover four main ideas that might help the company to survive within the difficult period of time.

### **3.1 Raw Materials from the Wholesalers**

According to Kotler and Armstrong, wholesaling includes all activities involved in selling goods and services to those buying for resale or business use. Thus, wholesalers are those firms engaged primarily in wholesaling activity. They fall into three major groups: merchant wholesalers, agents and brokers, and manufacturers' sales branches and offices. (Kotler and Armstrong 2004, 40.)

In the case of 'Transform-Mebel Ltd.', the merchant wholesalers are exactly what is needed. To be more precise, the company needs industrial distributors, who usually sell to manufacturers rather than to retailers. They can provide several services, such as offering credit and providing delivery. Also, industrial distributors may carry a broad range of merchandize, a general line or a specialty line.

Because of the crisis, the company already faces some financial problems, so the minimization of its expenses should definitely help significantly. One good way to do it is to change the suppliers for the cheaper ones. The suppliers of the given furniture company are the metal- and wood-working and processing companies providing the raw materials.

Many businesses decided to get involved in importing to take advantage of lower manufacturing costs. This step may also include importing raw materials from the neighbour foreign countries in order to minimize the prices if possible. (Capela 2008, 20.)

Thus, the best option is to shift from the retailing suppliers to the wholesalers. This would kill two birds with just one stone: the amount of money spent for the materials themselves is going to be decreased, and the delivery and transportation costs are to become lower, as the wholesalers usually work with large amounts of goods or products. Of course, this might take some extra time and human resources but eventually it will help the company.

### **3.2 Assortment Expansion**

A company can barely succeed if it just stands on the same position and does not go forward. Now the situation has become more sophisticated because of the lower demand that has been brought by the crisis. Therefore, what could be done is developing the new models of chairs, tables and accessories. This type of work relates to the development manager's duties, so he or she would be a person responsible for the assortment expansion.

The assortment expansion might include two sub-categories: creating new products, which are similar to already existing ones, and inventing completely new ones. Both directions are described in detail below.

#### **3.2.1 Existing Production**

Currently, the factory produces about 12-14 types of chairs including both transforming and non-transforming ones, and about 10 types of tables also on both transforming and stable bodies. All the products have metal bodies, but seats and backs (for chairs) and tabletops (for tables) are mostly made of wood. (Transform-Mebel official web site 2013.)

In terms of the existing production, there is no need to change anything in design or construction. The idea of renovating here is that tables and chairs can be produced and set not separately but as sets. Normally, the existing tables and chairs do not really suit with each other very well, and probably that is the main reason why many orders are 'tables only' or 'chairs only'. If there were sets of tables and chairs, which are designed in a similar way, there might be a good demand for such combinations. For example, new-opened wedding shows or restaurants would be interested in these kinds of furniture sets in order to have a consistent style.

Accessories can be improved in a different direction: there is no need for any additional types of carts and trolleys, and it is rather useless to form sets of them, so the only possible way of improvement is to simplify the construction where it is possible. It will reduce material cost, producing time, and the weight of the finished product. Obviously, it is a very little matter, but still the company can benefit from it.

### **3.2.2 New Types of Products**

According to Kotler and Armstrong, the major stages in new-product development are the following: idea generation, idea screening, concept development and testing, marketing strategy, business analysis, product development, test marketing, and commercialization. (Kotler and Armstrong 2004, 289.)

Failure rate is the frequency with which an engineered system or component fails, expressed in failures per unit of time. The failure rates for new industrial products are relatively high, and depending on a product, they can vary and be as high as up to 95 percent. The lowest percentage is for the industrial products and it is only 30 percent. (Kotler and Armstrong 2004, 288-289.)

Knowing this fact, it might be a good idea to create new products based on the customers' feedback and preferences. However, the primary objective of 'Transform-Mebel Ltd.' is not to deviate from its style too much. It is understandable, since the company has been on the market for more than 10 years by now, and it

only makes little restyling changes every now and then, conservatively keeping its style year after year.

Nevertheless, if a manufacturing company does not create anything new to expand its assortment, it has lesser chance to have good market positions and stand out among the competitors. As was mentioned in Chapter 1, the company has several different types of both tables and chairs, so there is no urgent necessity for developing new ones. However, theoretically there is no limitations for what the company can produce, so it might appear to be a good idea to start producing supplementary goods.

In order to keep the furniture unharmed and clean, the tablecloths for tables and covers for chairs can be designed. There are two options to implement production of those: either a sewing workshop would be opened as a department of 'Transform-Mebel Ltd.' or the sewing products can be imported. Obviously, the second one seems to fit the company's needs better because opening a new workshop part is not only expensive but also a little risky during the crisis. Moreover, ordering textiles from other companies will help 'Transform-Mebel Ltd.' to see how well will the sales develop. In case there is a low demand for tablecloths and textile covers, the company can simply stop offering these products to its customers without major losses. Moreover, if the demand is high enough, then the expansion of the workshop might be taken into consideration.

### **3.3 Market Expansion**

Markets consist of buyers, and buyers differ in one or more ways. They may differ in their wants, resources, locations, buying attitudes, and buying practices. Through market segmentation, companies divide large, heterogeneous markets into smaller segments that can be reached more efficiently and effectively with products and services that meet their unique needs. (Kotler and Armstrong 2004, 216.)



Clearly, there are many ways to segment a market, but not all segmentations are effective. After the segmentation of the market, the company has to decide which and how many segments it will target. To be useful, market segments must be:

- Measurable (the size, purchasing power, and profiles of the segments can be measured);
- Accessible (the market segments can be effectively reached and served);
- Substantial (the market segments are large or profitable enough to serve);
- Differentiable (the segments are conceptually distinguishable and respond differently to different marketing mix elements and programs);
- Actionable (effective programs can be designed for attracting and serving the segments). (Kotler and Armstrong 2004, 226.)

Due to the crisis, the company 'Transform-Mebel Ltd.' has lost some customers not only in the local scale but also in the regions quite far from the company's office. The counter-methods have to be implemented in order to still have the clients. Therefore, the third suggested strategy is to expand the company's market. Starting with the local scale, it will go further to the whole country's scale and then abroad to the countries that already have cooperation with 'Transform-Mebel Ltd.', and those who do not know about this company yet. Three steps might be helpful here: online advertisement, printed advertisement, and the promotion issues on some different furniture-themed exhibitions. The following sub-chapters describe the ways of expanding the market for 'Transform-Mebel Ltd.'

### **3.3.1 Country-scale**

As it was mentioned in the introduction part, currently, the company operates mostly in Saint Petersburg and its vicinities, but it also has some regular customers from Moscow, Sochi, and some cities in Siberia and Far Eastern part of Russia. The cooperation is stable but very rare. Mostly, the faraway customers place orders only about once or twice a year. The main reason for it is that they simply do not know about the company located so far from them.

According to market research made by managers of 'Transform-Mebel Ltd.', even adding the transportation costs to the medium size and large orders, it will be still a little cheaper for the clients from Far East for example, to order the products from 'Transform-Mebel Ltd.' than from local factories. (Glazkov, 2015.)

To sum it up, the main task for expanding the company's market into a wider area within Russia is to make other regions know about the existence of it. This step is closely connected to the promotion events, which are described in Chapter 3.4.

### **3.3.2 Abroad**

Not only materials can be imported from other countries, but also the selling area of the company can be expanded. Exporting the goods will open new sales markets for the company. It will help to secure not-only-local recognition of the company.

One good idea is to start from the closest countries, which have rather cheap transportation costs. One example here can be Ukraine, as the prices there are much lower. (DELLA Transportation prices in Ukraine 2015.) Another thing that should be taken into account when going for foreign markets – is the demand for the banquet furniture and how the pricing, payment, and taxation policies work in those countries.

There might be a need for one more person to the managerial crew of 'Transform-Mebel Ltd.', since expanding the company to the new foreign market is a very significant, responsible, and long-term task. A person can be hired for some definite period of time at the beginning, and then the contract might be prolonged depending on how well the expansion will go.

## **3.4 Promotion in New Channels**

Taking the promotional objectives seriously means quantifying what the promotion is expected to achieve. For example, if the objective is increasing trial, it is important

to specify how many trialists are sought, where they are to be found and the quantity of products or services they are expected to consume. Quantifying the objectives at the beginning enables the managers to measure and monitor the success of the promotion. (Mullin and Cummins 2008, 67.)

There is no special person responsible for promotive activities and events in the managerial crew of 'Transform-Mebel Ltd.', so either a specialist can be hired or an outside expert could be used for solving the promotional tasks and implementing the ideas represented in the following subchapters.

### **3.4.1 Exhibitions**

It goes without saying that if the representatives of a company attend different kinds of exhibitions and present their companies there, it can significantly help to attract new potential and actual customers. There are furniture-related exhibitions conducted 4 to 6 times every month in Russia. Moreover, there are also exhibitions of the same kind in the neighbouring countries such as Belarus, Estonia, Ukraine etc., so it makes it possible to tell about the company abroad, which will definitely help to show off the company for new markets. (CSIL Research and Studies 2015.)

Attending the exhibitions might be useful for showing the company's products, and can attract customers not only from Saint Petersburg and its vicinity but also from remote regions of the country. During the presentations of the company, brochures and printed catalogues can be handed out to the visitors in order to get them acquainted with the company and its assortment.

In addition, since the representatives of many other companies attend the exhibitions, taking part in exhibitions gives a nice opportunity to see what and how the others are doing. It does not mean stealing ideas but comparing the products and finding out what 'Transform-Mebel Ltd.' could change, remove or add in its production.

### **3.4.2 English Version of the Web Site**

Currently the web site of the company is only available in the Russian language. However, after successful expansion of the market to a new level, it will be very useful and wise to create also an English-language version of the company's web site. In this case, potential customers from abroad would be able to understand what the company can offer to them, and place orders online, for example, paying by credit card. The translation can be easily done even without help from a certified translator, since somebody who just knows the English language well enough can translate it. The texts are relatively simple, so this task is not going to be very difficult.

Also later, when regular customers from, for example, Finland appear, the web site of the company can be translated into Finnish as well. In this case, the professional and certified translators might be involved, but the result should pay off quickly. It will be convenient for both sides: the company will be able to attract more customers, and the customers will not face difficulties with reading and understanding the data on the web site.

### **3.4.3 Outdoor Advertising**

When it comes to informing customers about product benefits, the very first step is to set advertising objectives. These objectives should be based on the past decisions about the target market, positioning, and marketing mix, which define the job that advertising must do in the total marketing program. (Kotler and Armstrong 2004, 446-447.)

An advertising objective is a specific communication task to be accomplished with a specific target audience during a specific period of time. Advertising objectives can be classified by primary purpose – whether the aim is to inform, persuade, or remind. (Kotler and Armstrong 2004, 447.)

The main idea for outdoor advertising of 'Transform-Mebel Ltd.' is advertisements on billboards and city buses. Billboards are located everywhere in the city, so they

are very visible, as well as the route buses, which drive through the city. It will only give a local-scale impact, since placing these kinds of advertisements in some other cities will be less efficient and more difficult to control.

### 3.5 Strategy Review

Even though the strategies do not amend the company's vision and main objectives, the changes still take place. When it comes to changes in the market and assortment, not only the analyses must be used but also some additional tools for clarification of the situation as a whole. In case of strategies of market and assortment expansion, the best choice is to use the Ansoff matrix (see graph 3) as it describes the growth strategies for different combinations for markets and products in cases they both are new, both are existing, or they are different from each other.

		<b><i>products</i></b>	
		<i>existing</i>	<i>new</i>
<b><i>markets</i></b>	<i>existing</i>	market penetration	product development
	<i>new</i>	market development	diversification

GRAPH 3. The Ansoff matrix. (Spencer 2015.)

Obviously, the strategies of expansion will not be applied simultaneously as it is very risky to do it so. In addition, it takes a long time and much work to do each step correctly. Therefore, each of the expansion strategies will give a new growth strategy according to the Ansoff matrix. For example, if the company goes for a new market with existing products, the suggested solution is to develop the market. According to Ansoff, market development is a strategy to sell existing products to

new markets, normally with some modifications. This means adaptation of the products for presenting them to the new markets. In the same manner, if the assortment becomes extended before the market expansion, the strategy suggested by the matrix is product development. This is a strategy to sell new products, with new or altered features, to existing markets. Later, when both market and assortment are renewed and extended, the diversification will take place. Diversification can enable a firm to achieve three main objectives: growth, stability, and flexibility. And the specific strategies that a firm employs will differ depending on which of these goals the firm is pursuing. Since diversification involves selling new products to new markets, and can be pursued by simultaneously adopting the tactics suggested above for market development and product development. (Spencer 2015.)

## 4 RISK ANALYSIS

Risk analysis can be defined in many different ways, and much of the definition depends on how the risk analysis relates to other concepts. Risk analysis can be broadly defined to include risk assessment, risk characterization, risk communication, risk management, and policy relating to risk, in the context of risks of concern to individuals, to public- and private-sector organizations, and to society at a local, regional, national, or global level. A useful construct is to divide the risk analysis into two components: risk assessment (identifying, evaluating, and measuring the probability and severity of risks), and risk management that decides what to do about the risks. (Haimes 2004, 3-5).

The strategies suggested for development of 'Transform-Mebel Ltd.' are not similar to each other and relate to different business environments, so they are unlikely to be implemented all at once. The main reason for it is that they do not deal only with the local business issues, but also with foreign legislation, import and export issues, product development, and many other important aspects that have to be elaborated carefully by appropriate and well-educated specialists. In terms of preventing the risks, it can be an advantage for the company's managerial crew, as they can embed everything gradually and see how they work. This chapter describes the possible risks concerning the implementation of the crisis-overcoming strategies for the company, and measures that might be taken in order to prevent negative consequences.

The strategy of shifting from retailers to wholesalers (see Chapter 3.1) in terms of ordering raw materials is the least risky strategy because it does not have much to do with the risks themselves. Obviously, it requires much search, research, paper work, but once the appropriate and trustworthy supplier is found, the risks are minimized to payment procedures and delivery terms. The first one can be prevented by using trusted banks as guarantors at the early stages of cooperation, and the second one is being prevented either by using self-exportation or choosing logistics companies from outside. Then, there is a possibility of another small problem to appear – poor quality of the materials. Nevertheless, it can be easily

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checked when receiving the delivered materials, and in case of unsatisfactory quality or amount, the materials can be rejected and even sent back to the supplier.

Assortment expansion might be more risky than changing the suppliers but less risky than expansion of the market. The existing production modification would probably cause no problems with the customers, but restyled tables or chairs can be liked even more. However, when it comes to the new products, there are several risks that might show up. For example, the blueprints can appear to be not very precise and accurate, and a new type of product simply would not be able to be assembled.

From the marketing and customers' points of view, those new products might not do because of bad pricing, promotion, or simply unattractive look. Thence, projects and blueprints of new product types should be designed in such a way that they do not require a use of too many materials in order not to be too expensive, and they should look attractive for the potential customers.

Surely, the markets are to be investigated and researched thoroughly before the company's managerial crew decides to take them over. Anyway, market expansion for foreign countries conceals pitfalls of not accepting the company's products because of poor positioning, advertising or pricing. The standards or norms used by 'Transform-Mebel Ltd.' in Russia can significantly differ from the ones in Estonia, for example. It means that the cultural and national issues as well as the market situation should be studied carefully.

It seems to be a little simpler with the country-scale expansion because at least the cultural or pricing problems will probably not appear. The main problem about this kind of market expansion is competition. The company has secured good marketing positions, and it is recognizable in Saint Petersburg and its vicinity. However, when a subsidiary is opened, for example, in Vladivostok where the competitors have already occupied the furniture market, it will be challenging to gain momentum and stay afloat at the beginning of the subsidiary's life cycle.



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Promoting 'Transform-Mebel Ltd.' will be a task not for a regular worker of the company but for an outsourced specialist (see Chapter 3.4), so there is a little risk of misunderstanding or disagreement between him\her and the company's vision. It can lead to wrong advertising and not showing best sides of the company, and as a result, to a waste of time and money spent for promotional activities. The representatives being sent to the exhibitions have to know exactly the directions and themes of the exhibitions in order to show the best of 'Transform-Mebel Ltd.' and make visitors really interested in the company's production.

Of course, the risks concerning the ideas listed in Chapter 3 are present but they are not so extreme. Managers have to pay close attention to every step on the way of implementing the strategies. First, the plans have to be extremely detailed, taking into account the business environment, competitors and customers' possible behaviour, and many other important factors. The second thing here is to control and report everything during and after the implementation processes. The reports may be rather simple, and include only the basic but the most important information about the reported subjects. A person responsible for processing the reports will take measures according to the current state of affairs and environment. Timely checks and risk preventive measures are important and can change the company's state of affairs to a better side.

## 5 CONCLUSION

The suggested strategies are aimed not only at recovering the company's state of affairs during the crisis period, but also at the future growth and development. The minimization of the expenses would help to save some money and to spend them for some different purposes, such as the equipment and machine maintenance, the promotional brochures and materials. It is not a good and practical idea to use that money for increasing the salaries or issuing the money grants for the workers simply because the company is not in a stable situation on the market, and the money is more needed for development and improvement purposes at the moment.

If the expansion goals are set properly and performed correctly, it will have a major impact in the nearest future. A bigger market share would bring in more customers and thus more profit; a wider range of assortment would help to satisfy more desires and needs from the customers' point of view. As soon as the company recovers from the crisis, it will be just a significant advantage comparing to the competitors.

I have contacted the furniture factory 'Transform-Mebel Ltd.' and suggested these three ideas to them. The response was even better than I could expect: the CEO said that they were currently working on the market expansion and the minimization of some little expenses but my advice were useful and could be taken into consideration. He especially liked the idea of the assortment expansion and decided to discuss it with me. He asked few questions such as 'what would you add and why?' and in the end we decided that the company could start producing not only separate models of tables and chairs but also the sets of them. (see Appendix 1 and 2).

### 5.1 Forecasts

Before performance can be measured, action must have taken place. Hence all performance measures have to be reported. Many measures, especially traditional financial ones, have a limited predictive capability. The level of return on investment

achieved at the end of the financial year, for example, is simply the result of a host of actions that have already taken place. Future sales turnover will be affected by pricing policies, competitor actions and advertising campaigns, as well as by the level of customer satisfaction achieved today. (Neely 1998, 40.)

Generally, by autumn of 2015, the crisis in Russia and the countries of Commonwealth of Independent States has subsided. Thus, there is hope that the economy will recover fully, and will come back to prosperity. The Russian Ruble continues showing signs of growth to Euro and the US Dollar in September and October of 2015. (European Central Bank 2015.)

The peak of the crisis has passed for the Russian economy as the country is confidently adapting to the changing environment and beginning to stabilize, according to Russian President Vladimir Putin speech at the 'Russia Calling!' investment forum on Tuesday. Crisis peak behind Russia – Putin. (RT 2015.)

According to Putin, the Russian government and the Central Bank showed consistency and the ability to achieve results in crisis conditions adding that the government expects economic growth to resume in the coming years. The country will overcome the depression in some sectors of the economy, with positive dynamics to be restored as well. According to Putin, Russia's political course will be based on realistic and modest forecasts for hydrocarbons and energy, based on a price of \$50 a barrel. (RT 2015.)

Since the main difficulties are behind, and the economy of Russia is restoring, many businesses are likely to be running well again. More than this, having implemented the ideas suggested in the Chapter 3 (pages 8-19), 'Transform-Mebel Ltd.' can take a very significant step forward and overtake many competitors. Of course, these ideas have to be thought-out very well in order to give good results. In some cases, outsourced specialists might be involved in the development and strategies-realization processes. In addition, the features of the possible risks described in the Chapter 4 certainly have to be taken into account when expanding the company's assortment and the market for foreign countries.

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**The interview with the CEO of 'Transform-Mebel Ltd.'**

- When was the company established?

- October of 2004.

- Why exactly this kind of furniture?

- Well, the competition was very low. Back then, there were just few companies doing this, and the demand was promising to grow. More and more new cafeterias, wedding shows, and restaurants were appearing.

- In the very beginning, how many different types of chairs and tables did the company have?

- Literally, 1-2 types of both. The main challenge in the beginning was to find somebody who would buy it from us, I did not think about the assortment expansion at the first stages of the company's existence. Later, as it was growing more and more, I started thinking about new types of tables and chairs. With the time, some of the old ones were replaced completely, and some were just restyled to how they look now.

- Has the company always been profitable? Has it ever faced any financial difficulties before?

- Of course, in the very beginning the situation was very tough. I had to make potential customers know about the company, about its products. Somehow, that stage was passed relatively quickly, and starting from the middle of 2006, the company started bringing its first profits. Before the current crisis, there has been no serious financial problems. One can say, this is the first one for 'Transform-Mebel Ltd.'

**The strategies discussion with the CEO of 'Transform-Mebel Ltd.'**

- Are the strategies suitable? Can they be refined if it is necessary, and then implemented to the company?
- Obviously, yes. We already work on the market expansion but only within our country. Also the idea about searching for new suppliers has been considered by our managerial board. It is promising but as you said, it has to be refined in order to minimize risks and avoid extra work. The other ideas sound good as well.
- What about the assortment expansion?
- This is what can give the company a big impact in the future. The idea with sets of furniture would hit the market; it could have a good demand. Think about it from a freshly opened restaurant managers' point of view: it sounds like a good idea to decorate the interior in a similar style. Those sets of furniture might do their work perfectly here, as ordering them is a bit cheaper than ordering tables and chairs separately, and it is more convenient as well – the customers need to make only one order instead of two or more.
- Do the promotional issues seem to help?
- If they are done in a proper way, they will help to attract new customers, it is obvious. The idea about the translation was touched a bit too early, though. First, we need at least to start expanding the market abroad, and only after that, the translation might be needed. It also depends on how the first exhibitions will go: if we can make some contracts with foreign partners, we will need English version of the web site in order to make all the processes simpler for them.