Development of a strategy for the development of small business in the confectionery sector and assessment of the effectiveness of it

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Abstract. The article highlights the issues related to the analysis of the activities of small business confectionery companies and the justification of the need to adjust the implemented development strategy in modern economic conditions. The analysis of the activities of three small businesses in the confectionery industry is carried out. The directions of strategies for the development of small business enterprises in the confectionery industry have been determined, a systematic approach to assessing strategic development has been formed and tested on the example of one of the enterprises in terms of commodity turnover and commercial transaction and cost intensity and profitability. The conclusion is made about the possibility of the system of indicators of the effectiveness of the strategy to correctly assess the state, measure its quality level, identify significant shortcomings in the organization of management and used reserves and outline ways of improvement.

1 Introduction

To ensure the effective functioning of small business confectionery enterprises in the modern environment, it is necessary to assess the strategy for the development of activities, including studying and assessing such indicators as turnover, profitability and cost intensity of business, the effectiveness of transactions [1-4].

The study of the works of modern researchers [5-8] is justified by the purpose of developing an approach to the formation of a strategy for the development of confectionery enterprises of small business and identifying a more acceptable methodology for assessing its effectiveness. In the course of the study, an analysis of the activities of three enterprises of the confectionery industry of the Rostov region was carried out, the need to revise their strategic development in terms of such indicators as monthly production and sales of products for the period 2018 - 2020 was substantiated [9-12].

The results of the study made it possible to form the directions of strategies for the development of small confectionery enterprises and propose a system of indicators to justify the development of a strategy for the development of confectionery enterprises [13-16].

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Proposals for improving the strategy and assessing its effectiveness are presented as a justification base.

The aim of the study is to study the activities and develop an approach to formulating a business development strategy and assessing the effectiveness of confectionery enterprises in the small business of the Rostov region, as well as practical testing of the proposed solutions.

2 Materials and methods

Russia, like any state, has different levels of socio-economic development of its regions [3]. The object of our research is small confectionery enterprises of the Rostov region. The intensity of the development of small business in the region equally depends on certain conditions, such as objective economic factors (capacity of the regional market, transport and geographical position of the territory, the degree of infrastructure development, etc.) and on the personal activity of the subjects [4]. For a more complete study of the activities of small enterprises in the Rostov region, we have collected data and conducted an analysis of the activities of small confectionery enterprises in Rostov-on-Don. Production and sales of finished products by enterprises over the past three years are presented in Table 1.

Table 1. Production and sales of confectionery products by confectionery enterprises for 2018-2020

Indicators / Years	2018	2019	2020
Production and sales of products (tons), by an enterprise 1	44.1	68.3	61.4
Dynamics compared to the previous year in%	100	154.9	89.9
Production and sales of products (tons), by an enterprise 2	77.8	109.3	112.4
Dynamics compared to the previous year in%.	100	140.5	102.4
Production and sales of products (tons), by an enterprise 3	119.3	121.8	103.6
Dynamics compared to the previous year in%.	100	102.1	85.1

Consider the production and sale of confectionery products by enterprises in 2020 by months (Figure 1).

Fig.1. Production and sale of confectionery products by enterprises in 2020 by months, in kg

The study shows that the production and sale of confectionery products at enterprises 1 and 2 in the summer period is higher than at other times of the year, with the exception of November and December, since in these months production and sales are higher due to the New Year holidays. [6] For example, an increase in the production of confectionery products in May at enterprise 3 is due to the fact that it produces sugary confectionery products, the shelf life of which is longer than that of flour products, as in enterprises 1 and 2.

In the course of our research, it was revealed that for the analyzed enterprises it is necessary to justify the development strategy and modernize management. [7] Little attention is paid to marketing methods, in particular, pricing policy, there is no definite good and clear development strategy, goals are not defined and the main tasks are not formed. And also, at these enterprises, there is practically no analysis of the economic activities of enterprises, which could subsequently determine the effectiveness of all its activities, little attention is paid to planning, etc.

3 Results

The development strategy of the confectionery industry at the present stage of economic development forms fundamentally new tasks for solving in the new millennium. Currently, the unstable quality of raw materials with a wide range of safety indicators is a significant inhibiting factor in organizing the production of confectionery products from the standpoint of healthy nutrition [8].

The main directions of development strategies for small confectionery enterprises are shown in Table 2.

Table 2. Directions of strategies for the development of small confectionery enterprises

<i>Directions of development strategies for small confectionery enterprises of the Rostov region</i>	
Management modernization	Production modernization
Concentration and integration	The use of waste-free, ecologically highly efficient equipment of a new generation

Governmental support	Application of modern types of packaging
Getting a franchise from large companies	Using high quality raw materials
Using network marketing techniques	Portfolio expansion
Market monitoring and market preferences	Increasing the competitiveness of products
Perfection	Increasing the investment attractiveness of the organization
Controlling	Following the principles of a healthy lifestyle
Justification of development strategies	Production automation
Creation of associations (unions) to perform the functions of commodity circulation and study the market environment	

In our analysis, it was revealed that the products of many small confectionery enterprises are low competitive and, in this regard, protection and support of domestic producers and the country's domestic market at the state level is necessary. [9] It is required to take such measures as: allocation of targeted loans to enterprises; reduce taxation; abolish the duty on technological equipment for the confectionery industry, which is currently not manufactured in Russia. [10] To protect domestic producers, it is necessary to reduce imports of finished confectionery products by increasing customs duties. In order to reduce the cost of manufactured confectionery products, on the contrary, it is necessary to reduce duties on them or even abolish them for raw materials that are not produced in Russia [11]. This requires the use of marketing tools in management. In particular, such marketing tools as developing a pricing policy, occupying a niche in the market, applying methods of network marketing, conquering new sales markets for products, conducting a deep analysis of economic activities and planning their further development.

4 Discussion of the results

The indicators of the justification for the development of development strategies, in our opinion, should be subdivided into indicators of the efficiency of the enterprise with suppliers and buyers, which will allow us to assess the efficiency of operations for the purchase of the necessary raw materials and materials for the production of products and their sale. [12] In addition, the indicators recommended below for assessing the effectiveness of work with suppliers and consumers of products can be calculated both for the confectionery enterprise as a whole for a certain period (for a year), and for individual suppliers (Table 3).

Table 3. Directions of strategies for the development of small confectionery enterprises [13]

The system of indicators to justify the development of a strategy for the development of confectionery enterprises		
Performance indicators of small confectionery enterprises with suppliers	Performance indicators of small confectionery enterprises with consumers	
Coverage of commercial proposals	Indicators characterizing the promotion process	Indicators characterizing financial flows
- coefficient of fulfillment of contractual obligations	- link ratio of goods movement	- material turnover ratio
- share of supplies of raw materials in the total amount of supplies	- the share of commodity stocks	- accounts receivable turnover ratio
- the degree of development of direct economic ties		- the amount of net profit

- the share of supplies of raw materials and materials of high quality		
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The proposed system of indicators for substantiating the development of a development strategy makes it possible to correctly assess the state, measure its quality level, identify existing shortcomings in the organization of management and unused reserves, and outline ways of improvement [14].

As an evidence base, we will make a calculation for a confectionery enterprise using the initial data presented in table 4, 5.

Table 4. Confectionery data for 2019 - 2020

Indicators / Years	2019	2020	2021 (forecast)
Common data			
1. Profit, rub.	1596000	1642000	2010200
2. Trade turnover, rub.	7980000	8210000	10356900
3. Source of own funds on the balance sheet, rubles	1318320	1319650	1325690
4. Average value of long-term loans and borrowings, rubles.	-	1461170	3884425
5. Investments on the position "Souffle", rubles.	-	-	68230
6. The expected amount of profit on the position "Souffle", rubles.	-	-	18763

Table 5. Data of the confectionery enterprise "Sladost Dona" in 2020

Data on commercial transactions	1st transaction (supplier 1)	2nd transaction (supplier 2)
1. Profit, rub.	-	2400
2. Trade turnover, rub.	-	12000
3. The expected amount of profit from a commercial transaction, thousand rubles.	21300	19250
4. Investments in the purchase of raw materials and materials from suppliers and production costs, thousand rubles.	83200	79900

So, the indicator of profitability of sales is a criterion, and shows how much profit falls on a unit of products sold. [15] Let's calculate it with the following formulas: (formula 1):

$$k1 = \frac{P}{V} \quad (1)$$

Where $k1$ – the coefficient of profitability of sales;

P – the annual amount of profit according to the balance sheet of the enterprise, thousand rubles;

V – annual turnover, thousand rubles.

$$k1 (2019) = \frac{1596000}{7980000} = 0,2$$

$$k1(2020) = \frac{1642000}{8210000} = 0,2$$

$$k1(\text{forecast } 2021) = \frac{2010200}{10356900} = 0,19$$

The calculations show that there are practically no changes per unit of products sold, but there is a slight downward trend.

An increase in $k1$ is a consequence of an increase in prices for goods sold or a decrease in the cost of promoting goods to consumers at constant prices. The calculation can be made for each commercial transaction in the sale of products. You can calculate the return on sales ratio for each commercial transaction for the sale of confectionery (2):

$$k_{ij} = \frac{P_{i,j}}{V_{i,j}} \quad (2)$$

Where $k_{i,j}$ – the profitability ratio of the i -th commercial transaction of the j -th trading operation;

$P_{i,j}$ – the amount of profit of the i -th commercial transaction of the j -th trading operation, thousand rubles;

$V_{i,j}$ – the turnover of the i -th commercial transaction of the j -th trading operation, thousand rubles.

$$k_{1.1}(2020) = \frac{2400}{12000} = 0,2$$

Knowing the costs stipulated by contracts for organizing the delivery (bringing) goods from suppliers to consumers, as well as for organizing the conclusion of contracts, you can calculate the profit from this transaction by deducting costs from income. However, even not the main groups of expenses, it is possible to determine the return on equity for a number of prospective suppliers and the feasibility of concluding an agreement with one or another supplier and draw a conclusion about the effectiveness of a commercial transaction (3):

$$R_k^i = \frac{P^i}{K^i} \times 100\% \quad (3)$$

Where R_k^i – return on equity from a commercial transaction, %;

P^i – the expected amount of profit from the i -th commercial transaction, thousand rubles;

K^i – investment in the i -th purchase of raw materials and materials from suppliers and production costs, thousand rubles.

Possible first supplier:

$$R_k^1 = \frac{21300}{83200} \times 100\% = 26\%$$

Possible second supplier:

$$R_k^2 = \frac{19250}{79900} \times 100\% = 24\%$$

According to the calculation, it should be noted that it is advisable to make a deal with the first supplier.

To reflect the relationship between the profitability of turnover and the number of inventory turnovers at a given level of profitability, one can use the profitability of inventories (4), which reflects the relationship between the profitability of turnover and the number of inventories at a given level of profitability:

$$R_z = \frac{P}{z} \times 100\% \quad (4)$$

Where R_z – profitability of inventory,%;

P - the annual amount of profit for the commodity item, thousand rubles;

Z - the sum of average commodity stocks for a commodity item at the purchase price, thousand rubles.

$$R_z = \frac{18763}{68230} \times 100\% = 28\%$$

The efficiency of the enterprise as a whole depends on the effectiveness of measures to organize economic relations with suppliers, such as identifying sources of procurement, searching for suppliers and purchasing the necessary raw materials and materials, as well as concluding agreements with them on mutually beneficial terms. According to calculations, we observe the average efficiency of interaction [16]

The effectiveness of economic relations with consumers of products is determined by the level of satisfaction of the population's demand for goods in specific conditions with an economically necessary minimum of associated costs: labor, material, financial resources, the speed of goods turnover, an increase in labor productivity, and an increase in profitability.

In the first group, as a generalizing one, it is proposed to use the indicator of the level of coverage of commercial proposals (profitability of permanent capital) of a confectionery enterprise with suppliers of raw materials and materials on concluding an agreement with them for the supply of goods, calculated as a percentage (5).

$$R = \frac{P}{K + KZ_{av}} \times 100\% \quad (5)$$

Where R – the return on permanent capital,%;

P - the annual amount of profit for the commodity item, thousand rubles;

K – the source of equity on the balance sheet, thousand rubles;

KZav - the average value of long-term loans and borrowings for the period, thousand rubles.

$$R(2019) = \frac{1596000}{1318320} \times 100\% = 121\%$$

$$R(2020) = \frac{1642000}{2780820} \times 100\% = 59\%$$

$$R(\text{forecast } 2021) = \frac{2010200}{5210115} \times 100\% = 38\%$$

The calculations of the profitability of a small confectionery enterprise reflect that the implemented strategy for the development of this small confectionery enterprise is ineffective and requires processing. According to the calculations, we note a decrease in the level of operational efficiency due to an increase in the average value of long-term loans and borrowings by 2021.

5 Conclusions

The specified indicators of the profitability of the enterprise reflect the degree of profitability of its funds and are important relative indicators. Thus, the proposed system

of performance indicators makes it possible to correctly assess the state, measure its quality level, identify significant deficiencies in the organization of management and used reserves, and outline ways of improvement.

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